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What S.A.M Means To Me

MY MANY YEARS of work in professional societies, mostly S.A.M, have been most profitable to me. I believe they have done more for my own self-development than any other work I have done.

Primarily, I suppose, my major gain has been the rapid increase in my rate of learning. Management principles and "tools" have been explained to me by experts in the many meetings and conferences I have attended and taken part in. The detailed ins-and-outs of their practical applications have been described by hundreds of men I have worked with in society operations. In all, I have learned much about the management field that cannot be acquired from either books or professors.

Second in value to me is practice in speaking. Many talks before groups in meetings, workshops and conferences have forced me to learn how better to explain what I think I know. Teaching, you may call it. Anyhow, what you and I have learned has little value to us or our companies until we can gain the understandings of those we want to persuade. Remember, "No Sale, No Job."

This practice in "selling" is further increased when we are called upon to answer questions asked by those attending. Some of those questions stretch our capacities to their limits. Some are beyond our knowledge. These push us to acquire still more know-why and know-how.

Pressure to learn more is good for our self-improvement. We should invite rather than avoid it. Too many of us do so little to prepare for the opportunities that lie all around us. The result is, if we are promoted to that better job we seek, we are both incompetent and overpaid.

Speaking before chapter meetings, and writing that often goes with it, beget still more speeches and articles. Thus, I have been invited to speak in many cities all over our country—even to some in Canada and Hawaii. Naturally, I have met many fine, hospitable and talented management men in my travels. So there are extraordinary pleasures to go along with our work in S.A.M

Finally, we are supposed to give. We are obligated by our professional codes to plow back from the skills we have acquired. When we do what we should in giving from our experiences to advance management, everybody profits. But I believe the greatest returns come to those who do the most for S.A.M. I know that my long time efforts in our Society have forced me to become more skillful, to expand my outlook and to enlarge my understanding of management —the primary force in America's greatness.

Phil Carroll

S.A.M National President

Managerial Decision-Making

by Harold F. Smiddy

Vice President
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New York

DID YOU ever try to pick up a handful of mercury? If you did you have a good idea of the job involved in trying to get a grip on such a slippery subject as "*Managerial Decision-Making*".

Yet this topic seems to preoccupy Managers everywhere today. Articles are written about it. Executives—*even presidents*—give up an evening with their families to go and hear talks about it. "Games" of a highly technical nature are built about it; and you can now go to schools specifically devoted to it—not, to be strictly correct here, to *doing* it, but definitely to *stimulating* it by thinking about it, preparing to understand it, and developing improved skills which should allow you to do it with greater ease and effectiveness, for more and more complicated situations.

You readily observe, of course, that "Managerial Decision-Making" is a compound topic—basically not *decision-making* as an abstract item, though that is one element of our topic; but specifically also *managerial* decision-making, that done by *Managers*.

This is a good point, then, at which to get two vital aspects of this topic covered before exploring its potentials for further thought.

The first aspect is that we all need to make one decision consciously and early in this field; namely, "Do I want to be a Manager in the first place?" The second is that, although we talk about *managerial* decision-making, nothing could be farther from the truth than to read any implication into this that, "in Business *only* Managers make decisions". Let's look at each of these two aspects a bit.

Do I Want to Be a Manager in the First Place?

To answer this crisply calls for discriminating sharply what is the role, or the work, of a Manager, which is unique from the role or work of others in the business—the "non-managers" to draw the strictly logical distinction.

The essence, for this purpose, of the work of the "Manager" is that it consists of blending thought and action in decision-making, to secure balanced results through the specific but different work of other people—in whatever field of functional activity their respective efforts are focused to get results chiefly through their own direct efforts; but, in our free society, with clear understanding that both they and the manager are acting with initiative, self-development, self-discipline and competence as to both their personal work and their voluntary teamwork and two-way communication; both seeing the individual job and its relationships to the whole component, and enterprise, imaginatively and in true perspective, consistent with the current and potential economic, social and political "climate" or environment in which the business is being operated.

There is a deeply significant underlying concept here, depicted intentionally so as not to be overlooked. Hence, it is worthwhile to call attention to it and give it emphasis.

That concept is that *both* the manager *and* the functional individual contributors—or non-manager as the logical differentiation—act with personal initiative, creativeness and uniqueness of individual human spirit as well as mentality and reason.

There is emphatically no separation of the personnel of the organization, as a collective for jointly responsible activity, into so-called "managers" who *think* and crystallize their thoughts into *decisions*, on the one hand, and into mere "*doers*" who simply carry out decisions made by others, on the other hand.

This leads directly to the second of the two preliminary aspects of managerial decision-making cited, but before moving on to that point, let me dramatize a bit more clearly the nature, and

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hence the criticality, of the first question: "Do I want to be a 'Manager' in the first place?" Because if you make *this* decision wrongly you are off on the wrong foot, and are out of step with the whole organization right then and there. So, what is the razor-edge on which the balance turns in making this foundational decision?

I suggest that razor-edge is at the choice between two implacably contrasting visions of what a Manager should be, between which we each have a primary duty to choose.

One is that a Manager is a man with other men, his subordinates, to multiply him; to increase his capacity to effectuate his ideas, his aims, his work, to be —for *him*—additional arms, legs, even brains. And that, in its naked selfishness, is the concept of an "elite" and its slaves, of a dictator and his subjects, of classes of human beings with superior and inferior human dignity and identity.

The other alternative is that a Manager is one whose own work is to lead —but to lead by inspiring or persuading, by serving, by teaching, by setting a *climate* of freedom and initiative in which he and his other manager and non-manager fellow-workers can recognize common interests, and pursue common purposes rooted in those common interests; in the formulation of which purposes, or objectives for the enterprise or component being managed, their thinking has had a part and, before the making of the managerial decision, establishing such objectives as the target for the creative work, performance and profitable results of all concerned.

Mary Follett, writing on *The Illusion of Final Authority* put it this way:

> *An executive decision is only a moment in a process. The growth of decision, the accumulation of authority, not the final step, is what we most need to study.*

These thoughtful words are as pertinent today as ever. They illuminate that the validity of the decision—its elemental rightness, as distinct from its mere enforceability by power—is a function of the knowledge marshaled for its making, no less than of the form of its statement and issue.

A book authored some eighteen years ago by a liberalist management engineer and a national labor leader—*Organized Labor and Production* by Morris Llewelyn Cooke and Philip Murray—phrased the concept this way:

> *"Democracy is always a two-way stream and, under modern organization, authority should stream up from those who command local facts quite as freely as down from those who, because of position, are compelled to make final and inclusive* decisions. . . ."
>
> *"There is a growing need for a closer linking of authority and knowledge. Hence the whole emphasis of those seeking to improve the effectiveness of management has for some years been in the direction of procedures by which the greatest possible number of administrative acts can be performed by those individuals who, whatever their status in the organization, have the special knowledge required for reaching a* wise decision *on the special point involved."*

This, of course, is the core of sincere "decentralization". It is decentralizing the responsibility to *make decisions.* And that gets us back, here, to our second aspect of "Managerial Decision-Making"; namely, *"In Business, it is not true that only managers make decisions".*

> *"Remember that no war, no strike, no depression can so completely and irrevocably destroy an established business as new and better methods in the hands of an enlightened competitor."*
>
> *From WORK SIMPLIFICATION by Don Copell, American Management Assn., Production Series #157. 1945.*

In Business, It Is Not True That Only Managers Make Decisions

It is an old trick of speakers or writers who have been handed a loose topic to use the dictionary to help get some calipers on it so it can be measured and manipulated, but it's a handy trick, so here goes!

Your dictionary will tell you that a "decision" is a *judgment,* a resolution, a determination—in short, an act of deciding, bringing to an issue, concluding or resolving to achieve a specific determination or *result.*

These are all good words for a Manager to ponder. They lead him to discernment and discretion; to *judgment*—the mental process by which we become aware of *differences or similarities* in what we perceive. Note those words *"become aware of differences or similarities in what we perceive"* because they hold a key to an important *third* aspect of managerial decision-making to which we shall proceed shortly.

But at this point let's come back to that other key word *judgment* as a characteristic of decision-making for a moment more.

Exercising judgment, as the indispensable quality of the act of decision-making, introduces the concept of making a choice—that is, of selecting among alternative possibilities.

The distinguishing mark of such a choice, of course, is that it is the act of a *human will;* of that power of a *human mind* to decide upon and direct its energies to carry out a chosen course of action; and the "mind"—to stay with our dictionary just a little bit longer—is itself defined as the *"seat of consciousness, contemplation, thought, opinion and feeling".*

The human "mind" this embraces *feeling* as much as *thought.* It covers more than intellect or reason. It embraces this vital area of opinion, of feeling—of *value* judgments, not merely of number judgments. This, too, is essential to keep clearly in sight in talking about decision-making; and woe to the manager who overlooks or ignores it because it gets us back directly to the point that *"In Business, it is not true that only Managers make decisions".*

Every act of every human being in the organization is the result of a *decision*—of an operation, either conscious or reflex, of one individual's mind. To deprive the individual of this is obviously to dehumanize him; and this is not consistent with freedom, based specifically in our business system on the worth and dignity of *every* individual in the enterprise.

Two points derive directly from this which have pertinence to our subject of "managerial decision-making". First, "decisions" are made *only* by individuals, not by groups. Second, all individuals—not merely managers—make decisions and need to do so *responsibly.* Let's look at each of these before going to our third major aspect of managerial decision-making.

Decisions Are Made Only by Individuals, Not by Groups

Our civilization today fortunately seems under much sharper examination

—if only to be sure we and it will *survive*—than before the little dead dog started orbiting over our heads; and this is good. The Russians did us, the World—and the Russian people—a major favor when they put the pup and Sputnik up in space. We needed such a jolt to wake us up; and better a dead dog than a live thermonuclear war-head whirling up there.

A CURIOUS characteristic was getting to be much too common among us; namely, a flight from "personal" to so-called "group" responsibility—togetherness, the "lonely crowd", or whatever you want to call it.

And it has been penetrating our so-called "free competitive-enterprise" business organizations, too. Books like *The Organization Man*—however selective, slanted or specious their presentation may be—don't become best-sellers unless they touch interests held by millions of our fellow-citizens. And such books attract the interest, attention, and action of men of great influence on our businesses—Senators and Congressmen and government executives, to mention but a few.

Why are these thoughtful people uneasy? Because they sense a drift to *conform* rather than to perform, a thing alien to our American heritage, spirit and progress; and they don't like it.

We shall not recite here the drawbacks of groups, committees, teams and similar refuges from individual responsibility as vehicles for tough decision-making; nor to elaborate their propensities for watering the level of any final decision to the most innocuous common denominator, for wasting the time of many doing what one should do, for larding costs and delaying results, for becoming sources of distortion whenever they go beyond their particular usefulness for voluntarily coordinating inter-related work efforts and for conveying information and exchanging ideas to improve common understanding more fully and rapidly than by some other approach.

But these drawbacks are no valid reason to take the other horn of the dilemma and reserve all decision-making authority to "managers". The latter course is not workable if only because the sheer knowledge required for today's complex business decisions is spread too widely for any small manager corps either to assimilate or monopolize it.

There is no choice in today's Business organization, therefore, but to have the great bulk in fact of all decisions made by the nine-tenths of the individuals in the organization who are not managers; but who are free, creative, human beings with minds and reason and feelings of their own.

The managerial responsibility is quite different. It is rather to see that the Organization structure—as to all of its components and jobs and relationships—is consciously designed to decentralize the maximum feasible decision-making to each and every one of these people who do the Organization's work.

Decentralization As Applied to Decision-Making

Now what is that maximum feasible degree of such decentralization of decision-making? Let me suggest that it may be put this way:

> *"The determinant level for responsibility, and authority to make a particular decision should be the lowest organizational level where both the needed skills and* competence, *on the one hand, and the needed* information *—embracing understanding of both direct and environmental probable* impacts *of the decision—on the other hand,* can reasonably be *brought to exist; so such information and understanding can be brought to bear in choosing wisely from among possible alternatives, or risks, as responsibility and need for decision arise."*

This is the *real* meaning of decentralization—of the organization's work and of its information to use in doing that work. I hope nothing less will be our goal.

In this day of multiplied, ramified yet highly interlaced knowledge, he who has some specific and specialized kind of knowledge has just that kind of personal responsibility as he applies it in his own work and decision-making.

A wise philosopher of our times, the late José Ortega y Gasset, once wrote a penetrating essay on what he called the "Barbarism of Specialization", particularly urging the educated functional specialist to act with full *human* as well as *technical* responsibility. Earlier he had laid his groundwork in this definition of the "civilization" which we have built and which it is our job to preserve and advance,

> *Civilization is, before all, the will to live in common. A man is uncivilized, barbarian in the degree to which he does not take others into account.*

Goethe put it equally simply:

> *To live as one likes is plebian; the noble man aspires to order and law.*

Whitehead added another pertinent twist,

> *The art of progress is to preserve order amid change and to preserve change amid order.*

A still earlier version was simpler yet:

> *You are your brother's keeper.*

The manager, then, does need to decentralize decision-making increasingly to the specialist. But the specialist—with the resultant authority to decide—has, like the Manager, to take the burden to do so as a *personally responsible* member of the organization; not simply as an isolated expert in his own cell of technical competence.

In this day, when nearly all organized actions are at once unique and at the same time elements of embracive *systems*, the pressure to "control the system from the center" is powerful in proportion; often *seems* a matter of sheer necessity, in fact.

But complexity is not solved by centralization, only by the reverse—by so classifying, structuring, characterizing it so that it can become understandable and manageable by all who participate in it and are affected accordingly; yet who still want and need to do so as

---

"What can be done to injure sales by raising the cost (reference is to wage rates) of the day's work too high can be done just as definitely and just as promptly by making the value (reference is to productivity) of the day's work too low."

From NO SALE, NO JOB
by Alexander R. Heron, p. 85, Harper & Brothers, New York. 1954.

All Individuals Make Decisions, and Need to Do So Responsibly

The price of freedom—and such decentralization *is* freedom as opposed to slavish conformity for the individual—is, however, *responsibility;* not responsibility in some vague, general, impersonal sense but responsibility personally, voluntarily assumed; because, as Clemenceau put it, *"Liberty is the right to discipline oneself in order not to be disciplined by others".*

free, responsible contributors and partners in joint progress of their company, their industry and their community.

This need of the non-manager to cope responsibly with his work as an element of a larger system—not merely as a discrete unit—if once realized and heeded is, therefore, another golden key to collective organization and effort without loss of personal worth and dignity.

Criticizing the "specialist" who will not take on that broader responsibility, Ortega said:

> *The specialist 'knows' very well his own tiny corner of the universe; he is radically ignorant of all the rest. (Literally) 'a learned ignoramus'.*

But let no business manager point a finger in this respect! Let him read, rather, that generalization about himself in the letter of Irma, the young governess, to her sister in George Santayana's *The Last Puritan*, where she described the successful American business man in these unflattering terms:

> *. . . they hate to think. They are too busy, too tired; or if they half-form an opinion in spite of themselves, they won't take the trouble to express it accurately, or to defend it. They laugh at what people* think, *even at what they think themselves, and respect only what people* do. *Yes, my dear, and beneath that horrid cynical skepticism, there is something deeper still.* They are afraid of the truth.

If you are unconvinced let me quote another Harvard authority who had an even closer view of the American business manager—and who was often dismayed at that manager's too-frequent failure to relate the part to the whole when endeavoring to reach decisions on business problems—Wallace Donham, early and great Dean of the Harvard Business School, commented in these pungent terms:

> *Businessmen do not undertake the hard intellectual job of securing a* general *grasp of these complex problems through prolonged exchange of varied viewpoints.*
>
> *Most men think their duty done when they listen to and discuss one-sided presentations of narrow, controversial topics. The hard study of* relations *is not undertaken. Under such conditions it is no cause for wonder that leadership fails.*

Well, there is no need to labor it. *Both* the manager *and* the specialist have the *responsibility* to make decisions; and both have the same requirement to make them with mutual regard and respect for the common interest no less than the technical problem. These final paragraphs from Ortega are graphic:

> *(It is a law that) Human life has risen and progressed only when the resources it could count on were balanced by the problems it met with. This is true as much in the spiritual order as in the physical. . . .*
>
> *. . . Science needs from time to time, as a necessary regulator of its own advance, a labor of reconstitution and . . . this demands an effort towards unification (or synthesis) which grows more and more difficult, involving as it does, ever vaster regions of the world of knowledge.*

And, therefore, the real problem for scientists and managers alike is to find, as Ortega put it:

> *How society and the heart of man are to be organized so that there may continue to be investigators. . . .*
>
> *It is false to say circumstances* decide. *On the contrary circumstances are the dilemma, constantly renewed. in the presence of which* we *have to make* our own *decision; what actually* decides *is our* character. *. . . There is no culture, where there are no standards.*

A while back I indicated that a *third principal aspect* of managerial decision-making evolves from the definition of "judgment" as "the mental process by which we become aware of *differences or similarities* in what we perceive". The key words are "differences or similarities in what we perceive". Let's consider them a little more deeply.

Differences or Similarities in What We Perceive

The suggestion that decision-making be deeply decentralized in your organization structure—specifically, in great proportion to functional specialists and not to managers alone—doubtless conjures up two difficulties pretty fast in practical executive minds.

One is: *Can you decentralize the required information to the necessary degree for such a course to be practical?* The other is: *How can you motivate men to decide responsibly with such deep decentralization, even if you can make available to them needed information of the kind, quality and timeliness to allow them to do so?* Let's deal with these, in reverse order, as the third and fourth major aspects of this discourse on managerial decison-making.

Common Purposes As Keys to Self-Motivation

Let me hasten here to pick up my own question: "How do you motivate men to *decide responsibly?*" with such deep decentralization of decision-making responsibility, authority and accountability.

The quick reply, of course, is that to be consistent with the philosophy already expressed, you—the manager—*don't* motivate them. You do fulfill the responsibility to provide the climate and resources in which they will, and *do*, motivate themselves to make such responsible, as well as correct and timely, decisions. But *how* is still a good question.

Let's think, then, of that emphasis in the definition of *judgment*, on "awareness of *similarities or differences* in what we perceive".

Perhaps no field of managerial decision-making has the same combination of promises and pitfalls as is harbored in that phrase "similarities or differences in what we perceive".

From the area of juvenile delinquency to labor strife in industry, to squabbling at high government levels, to rampant and irresponsible nationalism running loose in the world at the international echelon, we live in a time of struggle, trouble and confusion. What is the common denominator in all this fighting and hating?

It is not truly that the emphasis almost everywhere is on *differences* among men's aims and viewpoints; hence on conflict for power to resolve such points of difference in one's own presumed favor?

There is indeed one school of thought which defines administration, or managing, as the *resolution of conflicts;* as the authoritative settling of differences among members of the Organization.

This is not strange. It is only the old "After all, someone's got to be boss!" rule in more high-toned language. It's only too prevalent in all spheres of organized activity—and it is, I suggest, a way of operating which needs to be judged itself in terms of its operational effectiveness, as only too-well typified by our prevailing strife and confusion.

Is there a better way? Has our capacity to produce knowledge outstripped our competence to organize, to use it peacefully and productively? It has

been said that we don't know what weapons we would use to fight the Third World War, but *if* we fight it we'll fight the Fourth with rocks. Is that to be the end of all our "managerial decision-making", after bringing our social and political economy at least to this threshold of an Economy of Abundance, world-wide, instead of the classical Economy of Scarcity?

Does not that dictionary definition give us our devoutly desired clue to a *better* choice? Remember, it defined "judgment" as the mental process by which we become aware of differences *or similarities* in what we perceive.

Have we perhaps focused so much on perceiving—and then amplifying—our differences that we are blind to the far greater area of our similarities? Think for a moment of the fields of conflict I cited as typical of our life today.

Do the youth of our land want to be in conflict with their parents, their elders? Or are we failing to help them find common ground to go ahead together?

Do the wage-earners in industry want to be in conflict with managers or owners? Or are we failing to help them find common ground to go ahead together?

Do the officers in the Pentagon want to be in conflict with each other or with other government leaders? Or are we failing to help them find common ground to go ahead together?

Do the people of Egypt, Russia, the United States, China, or France *want* to be in conflict with each other? Or are we, here too, failing to find *common* ground to go ahead together?

In posing these questions, do we not answer them?

IS THIS not, then, literally a golden key to a most critical area of managerial decision-making? To concentrate—in the actual exercise of managerial authority and power, which has to be used and not defaulted—on the *similarities* more and on the *differences* less?

Many observers have characterized modern professional managerial work as "managing by objectives". That is, as accomplishing through the voluntary work of others, desired performance and results by "achieving successfully, economically, profitably and on time, challenging and difficult-to-attain objectives of the organization component, and of the enterprise as a whole, in the *balanced best interests* of customers, share-owners, employees, suppliers, the public and its governmental representatives."

An *objective* is a goal or a purpose. A *purpose* stems from an interest—after all, a *personal* interest. So, in this approach the great open field for managerial decision-making is in sensing the similarities of interests; *first*, of the same individual in the multiple roles he actually enacts in real life—employee, customer, investor, citizen, all at the same time; and, *second*, of the different individuals, and collective organizations of individuals, whose interests interlock and hence call for "best balancing" with those of the enterprise being managed.

It has been customary to think of a business manager's "strategic" decisions as falling in such spheres as those of setting prices to customers, fixing the level—and so the costs—of production, and allocating money resources for such ends as plant expansion, research and development, or merchandising promotion and similar functional operating activities.

"The direct concern of the consumer pertains to the price and the quality of the product rather than to the welfare of any employer or employee who might have helped produce it."

From BARGAINING by Paul L. Poirot. Pg. 30. The Foundation For Economic Education, Inc., Irvington-on-Hudson, New York. 1953.

Is it totally irreverent, or irrelevant, to ask if, in today's totally specialized and inter-related economy—inside and outside the particular business managed—this may not now be putting the cart before the horse? If these may not have become in fact more the tactical, and less the strategic decisions of the modern business enterprise?

Because, finally, such decisions have historically been both made and focused essentially *inside* the enterprise; whereas currently their rightness and workability usually depend far more on factors—and on relevant *decisions of others*—prevailing *external* to the business?

In other words, are not the modern *strategic decisions* those which

- set the initial and continuing scope or *objective* of the business;
- determine what products or services it will have for sale;
- elect what markets and what channels to reach them will be served;
- resolve how much direct and supporting work to do on the company payroll and how much to purchase from others outside the business?

rather than those which vary prices, alter schedules, or meter out capital resources within such chosen scope and charter?

The overpowering influence is that business managerial-decisions now deal far more in the intangibles of Human Relationships than ever before, and correspondingly can less and less be confined to, or made simply on the basis of, any mechanical laws of either physical properties or inpersonal economics.

What Does Motivate Individuals?

Douglas McGregor of MIT recently pointed out what should be the rather obvious point that "a *satisfied* need is no longer a motivator."

What, then, are the needs of people today which, properly sensed and heeded, will be the kind of voluntary motivators that a climate of freedom demands? Clearly, they will vary from man to man, from place to place, from time to time.

But is not the prime need now, in managerial decision-making, to *decide* in just such difficult fields of choice—difficult to identify, difficult to visualize, difficult to evaluate; yet the *real* keys to motivation of all those whose interests have to be balanced for the modern enterprise to take and hold its harmonious place in the over-all Business Flow?

Larry Appley has repeatedly indicated, in recent times, that a most serious chore in Managing today is to imbue each of the men connected with the success of an enterprise with

. . . the broad vision that will fit him for decision-making at higher and higher levels of responsibility.

Is there any more fruitful field in seeking to do this than in encouraging men to find the similarities in what they jointly perceive—to thus sense their common interests—to use these common interests as foundational elements for definition and pursuit of common purposes, as the one best route to motivation that will unlock voluntary efforts of diverse individuals working in the common cause?

Ralph Cordiner, President of the General Electric Company, netted it down in the phrase "Sharing the Vision—A

Challenge to Leadership" and amplified it in these terms:

> *Any sensitive observer must agree that the human potential in business has never been fully unleashed. The great dream of the professional manager is that some day he will find a way to share with his associates a mutually deep vision of what a truly inspired human organization can achieve. . . .*
>
> *I am convinced that there is no such thing as the common man. Each of us is an uncommon man. Each of us has some distinctive and individual contribution that he alone can make.*
>
> *When the professional manager at every echelon of the organization recognizes this, and cherishes it as his most deeply held belief about his fellow-men, then he has found the clue to leadership in the American Society. It is leadership of this kind that will determine whether the way of freedom will be the way of the world.*

LET that be, then, the *third* basic aspect of "managerial decision-making". Let us seek to perceive, to become aware of, more similarities and fewer differences.

And out of the similarities let us recognize common interests; from them determine common purposes. Then design our organization structures to *decentralize decision-making* to all the men and women who staff them, confident that recognizing the same purposes we are seeking to achieve, their own motivation and their own ideas will find the quickest, the best and the most profitable way to attain them.

In doing so, however, let us recognize that the old managerial practise of hoarding pertinent information is as incompatible with such decision-making as it is practically impossible in our complex technological environment of today.

Let's realize then, that *Decentralization of Information*—the *fourth* principal aspect of our topic of "Managerial Decision-making"—is an indispensable Siamese-twin of such Decentralization of *Responsible* Decision-Making.

Decentralization of Information for Decision-Making

Chances are there are many who read this article with latent hope that this writer will reveal some new magic tools —computers or what have you—that will pull the stinger from your tough chore of "managerial decision-making".

If you are one of this group you may as well stop reading because quite the reverse will be the case.

Don't get me wrong! These new tools —these mathematical models of the "whole-business" complex, and these transistorized computers to store up and then to manipulate literally tens of thousands of simultaneous business variables—are here. And they do work. They are getting better, and they will continue to do so at a fantastically accelerating pace.

These new tools and devices memorize information. And they will use it, on an increasingly self-monitoring and self-adjusting basis, to "make decisions" of certain repetitive types, automatically; decisions which have stretched and puzzled you to make mentally for most of your business careers.

Sounds wonderful; and it is. But there are two catches in it:

First, these wonderful tools won't memorize nor manipulate any basic information you and your associates don't conjure up and program into them to begin with. And deciding what such information should be, how to get it, how to organize it, will be new areas of "managerial decision-making" more and not less complicated—though also more fruitful—than those the models, simulators and computers will then take over.

Second, the more information these approaches make available, the higher the order of both abstraction and risk at which future "managerial decision-making" will be concentrated.

Business "Decision-Making" Won't Become Automatic

Let me first puncture one "Let George do it" kind of fairy tale that is getting far too wide a circulation these days. One authority stated it this way:

> "*Progress in scientific management consists in the creation and development of a sequence of new professional groups, each specializing in techniques for handling an old management problem in a new manner grounded in a* central concept of basic scientific validity."

That's it, pat and simple. "Science" takes over, "solves your problems", makes your decisions for you; and you can go fishing to your heart's content. Happy hypothesis, mathematical model, data derivation and deduction, operational observation, theory testing—and it's in the bag. You have it made. The "scientific method" has done everything but dig up bugs for your bait.

But hold it, boys! There *is* a "bug" in it! Know what it is? Of course you do. It's *Mr. Man*—the employee, the share-owner, the customer, the supplier, the citizen, the legislator, even the manager himself!

And *Mr. Man* is the one element these "scientific methods", carried over from the physical sciences, have not, and cannot factor in mechanically or numerically. He isn't inanimate; he doesn't come petrified or boxed for orderly, objective observation or manipulation.

HE REASONS, it's true; though *not* always logically. But he also emotes, he feels, he erupts. He introduces what the scientists call "random variables"—which you call "flukes"—in the business process in the most unexpected and unpredictable places and at the most unlikely times.

He is not a creature of calculus. He is a creature of God—an individual, a human being, *not* a model. And there he is; thousands of him everywhere you turn around, with more knowledge, more wants, and more tricks up his sleeve every time you turn your glance his way.

Now, please don't go home and trade in your computers for horoscopes or crystal balls! You are going to need them badly—more of them, bigger ones, more diversified models. And you are going to use them in *all parts* of your business just as you do lead pencils and typewriters.

They are going to help; they are going to simplify some decision-making. They are going to make rational decisions possible—even make rational anticipation possible—to a degree you and I would have thought quite magical not too many years ago.

But they are not going to make Mr. Man into an inanimate collection of physical molecules, at least in the span of your "managerial decision-making" and mine—or *you and me* either—and I'm sure we *both* think that's basically good rather than bad.

There will be a "Science of Management" and there are evolving "Professional Managers". But they need to evolve, and they are doing so, from the basic concept of *man as an individual* who gathers with his fellow-men for accomplishment and economic profit but *at the same time, also*, for the satis-

faction of intellectual and spiritual hungers, without losing his individual identity, dignity, creativity and value in the process of doing so. He is human. He will stay so. Your "managerial decision-making" will go terribly wrong if you don't anchor it hard in *that* elemental fact of life.

Models, Machines and Information for Decision-Making

If you are to let Mr. Man work to his utmost in your business, I have already made clear that you need to decentralize to him the work of making responsible decisions in his specific area of competence; and with due regard to the fit of his work to its environment no less than to its purely local or internal characteristics.

Doing this (as has also been covered) necessitates making information available to him, to be used in such decision-making which is both more adequate and more useful than any we have ever customarily provided.

It is in this field that the newer scientific aids to information storage, processing, manipulation and availability will really find their pay-off to facilitate that genuine decentralization which will *keep decision-making legitimate*—because personalized and decentralized—even while the over-all organization continues to grow and expand.

Specialists in such information processing will be needed; are needed, in fact, and are increasingly available today.

They bring a blend of older disciplines—of mathematics, of economics, of the social sciences, of technology and of systems engineering—for seeing your business, or significant sub-sets of your enterprise, as a *whole*; for looking at it that way; for sensing its parameters and variables in ever-more clarified patterns; for finding what information about your business is useful for simulating in models, and for programming into computers.

They will thus bring new aids and information for decision-making for managers and non-managers alike. They will do Operations Research to analyze your business and its complexities. And they will do synthesis work to find systems and patterns of order heretofore concealed in, but not visible from, such over-all complexities. They will define areas of probabilities and of risks more widely and yet more precisely than ever before, especially in decision areas of greater irreversibility and greater futurity than either managerial or technical hunch and intuition have heretofore visualized.

And, I suggest, they will increasingly do this with the aid of simulators and computers which are themselves—like erasers or adding machines—increasingly decentralized both physically and in constituent design for direct use at or near the local workplace; connected together by circuitry to simulate the *over-all* business as it actually exists as a living organism—by the synthesis of its separate parts from the parts to the whole, not by mere centralized subdivision from some master-mind down.

As Frederick Hayek expressed it, they will facilitate orderly organization which allows the manager—as a result of his genuinely *managerial* decision-making—to have the integrated effort which collective organization requires, yet still to have the free and independent ideas that *other* workers can and will have, that are different from and go beyond those he can or will have himself.

SUCH organization will permit the manager to define objectives as the source of company plans, to organize, to facilitate their achievement, to integrate for voluntary and inspired cooperation, to measure so that information for self-development and self-correction may be made available at the points where decisions need to be made.

It will focus responsibility on individuals, working in recognized jobs and in known components and relationships. Above all it will place responsibility *directly* on those individuals to request and devise the information they need to make decisions with due regard to their organizational and environmental impacts—so they may be right in the first place; it will minimize the need for "controllers" to demand from above, and for "coordinators" to do for men—at double cost to the business—what they are being paid to do right initially, and voluntarily.

The "future" of mathematical models, of simulators and of computers is, in fact, practically upon us. Their potential benefits to allow sounder organizing and managing of ever more complex enterprises is great beyond current belief.

They will relieve the managers of many repetitive-type decisions they have been able to make only with sheer courage and experienced intuition. But they will *not* eliminate the making of decisions by managers; and neither will the technicians who install them and use them to provide responsible members of your organization with both more and better—and better organized—information for making different, and more, not less, riskful decisions of the future.

Future Managerial Decisions Will Be More Abstract and More Riskful

You will note that the picture of future "managerial decision-making," which is here unfolding, is directly contradictory to one presently popular "top-down" view which has been expressed as follows:

> *"In an enterprise whose success hinges upon the coordination of the efforts of all its members the* managers *depend completely upon the quality, the amount and the rate at which relevant information reaches them.*
>
> *"The* rest *of the organization, in turn, depends upon the efficiency with which the* managers *can deal with this information, and reach decisions, conclusions, etc."*

Veritably, that would put the monkey on the manager's back, wouldn't it? But it also would literally *make* monkeys out of all the rest of the organization—and of the "monkey see, monkey do" type at that.

So at least if my approach hasn't given you the royal road to the fishing tackle, it *has* spared you *that* responsibility, hasn't it?

But, you will also recall, I hinted a while back that *future* "managerial decision-making" will involve—as better and better organized information becomes available—making decisions of a higher order of both abstraction and risk, than those we have heretofore had to cope with.

As we get into the home stretch here, then, let's take a look at why this is likely to be so.

Up to here, from the standpoint of many presidents and higher executives you may think my principal admonition has been to *avoid* making decisions, and to fix things so that others can increasingly make them for you—and *better* than you should be asked to do yourself.

If you got *that* impression, please be assured it was completely intentional! My primary message really is that I sincerely feel and believe that "managerial decision-making" would be *vastly* improved if most managers—very particularly, most higher-level managers—would make far fewer deci-

sions; but have, in turn, far more time and far better atmosphere for unhurried contemplation and consequently more deeply decisive treatment of matters rightly and legitimately reserved for their consideration and determination.

I suggest simply but sharply that most executives, today, have more information than they have either time or analytical capacity to use in any such detail; and that, as a result, they try to make too many decisions that others in the organization could make better—and ought to be *required* to make instead of putting what should be *their* job upstairs in the boss' office!

AND this is the boss' own fault in about 98% of the cases. As he goes up the managerial ladder, he takes his old job upstairs with him far more often than he leaves it behind for his successor to enjoy, as he hoped to enjoy it when he had it. We all know about the Army Captain who complained that his superior would never let him run the Company as he wanted to, but whose first remark as Major's leaves were pinned on his coat was, "Well, by cripes, Company B will be run right now!"

In fact, I believe one most difficult task in Manager Education and in Manager Development is hardly being scratched yet today, despite all the courses, seminars, conferences, literature and so on that are facilitating unprecedented progress in these truly pioneer areas of advancement of management.

That task, I submit, is to convince a man that as he moves from one organizational echelon to the next, his new job is *not* merely "more of the same" over a wider field or scope; but is, instead, sincerely a *different kind* of work, requiring the making of different kinds of decisions—for the doing of which he has rarely been well prepared in advance.

Thus, when a salesman becomes a sales manager or an engineer becomes an engineering manager, he doesn't become just a "big salesman" or a "big engineer", responsible for more sales or more complicated designs. He becomes a man responsible primarily for personal work to *get results through the work of others*, instead of directly by his own functional skills.

Similarly, when a sales manager or an engineering manager becomes the General Manager of a business, he does not become just a bigger *functional* manager, or even a multi-functional manager. Quite the opposite; he becomes the manager of an entity which is a profit-and-loss, risk-taking enterprise. His decisions pass from the realm of high, technical, functional competence and into a field where tailwinds not of his own making can speed the business up and headwinds not of his own making can slow it down.

And it is his task to bring to bear capacity to know and to apply managerial principles and techniques that will achieve targeted results, or better, despite such random variables, good and bad; to have, by that time, within himself resources of intelligence, of ethics and of experience that will allow him to *make the managerial decisions* involved in doing so.

He will need attitudes of simplicity, of flexibility, of adjustability to changing conditions, while yet still "keeping the business ship on course and on schedule". I repeat that using his time instead to make managerial decisions that should more properly be decentralized—from information similarly decentralized to make them feasible and sensbile—is a dangerous *mis*-use of top managerial talent, effort and hours.

Managerial Decision-Making and People

What are some of the kinds of decision areas in which, generally speaking, we too frequently still make decisions badly, or not at all? Just to indicate a few, one of my company associates recently threw out *these* samples:

1. *Decisions in area where a man's work is* not *a self-contained project; that is, when it represents only one part of a total effort in which that* total *is the real subject of interest, not the individual pieces — combining intellectual problems of understanding with emotional problems of self-commitment in a joint situation, where "measurement" is likely, but likely* not *clearly defined.*
2. *Trying to get outside one's own interests, views (and even successes and failures) and put oneself in the shoes of another man also interested in, or affected by, the work done or the decisions taken.*
3. *Hypothesizing into the* future *about what* might *happen—or what the manager might* want to *happen—and planning and working on such unclear fronts, instead of on more tangible and visible current situations.*
4. *Combining sound* theory *with prompt* action *and with needed* timeliness, *versus merely analyzing and speculating indefinitely.*
5. *Sensing and displaying the* "general" *out of specific individual jobs and projects; and being alert to do so and to evaluate resultant decisions and actions.*
6. *Thinking through how to integrate the* apparently *conflicting loyalties of the professional worker to his profession, on the one hand, and to his Company on the other; or the similar* apparently *conflicting loyalties of the non-professional worker to his Union, on the one hand, and to his Company, on the other.*

AT FIRST glance these six instances of areas of difficult "managerial decision-making" may seem themselves to be only random samples, unrelated and diverse.

They have in common, however, that Mr. Man plays *many roles at the same time,* but that these diverse roles are *unified* by his being only *one* Mr. Man, whose common interests in his multiple roles finally outweigh and outrank their diversities.

So here, once more, is the key to "managerial decision-making" for really enlightened motivation; in the fact that *people* do the work of the business and that they can and will integrate their efforts to pursue common purposes, whose relationships to their common interests their manager can and should take for one of his most vital fields of "managerial decision-making".

May I, in closing, therefore, suggest that

- If you have decided affirmatively the primary question, "Do I Want to Be a Manager, in the First Place?"
- If you have agreed that, "In Business, it is *not* true that only managers make decisions";
- If you have sensed that "Common purposes are the keys to self-motivation"; and
- If you have concurred that "Decentralization of information for decision-making is as vital as the decentralization of decision-making itself",

you are now ready to conclude that "*managerial decision-making*" to pro-

duce right decisions at the right individual post in the organization structure involves responsibility for:

1. Quality *of decisions,* by people
2. Timeliness *and timing of decisions,* by people — especially *where futurity, and causative, rather than merely adaptive anticipation, is significant*
3. Decentralization, *or organizational placement, of decisions,* with people—*including thoughtful assignment of responsibility for "approving" any decisions of others; especially to avoid duplications, multiple staffs, and draining off of presumably assigned authority by allowing the man to "check" unduly with* his *manager* before *making up his own mind firmly*
4. Nature *of decisions,* by people *with common purposes—that is, the nature of the* work *and* teamwork *involved, whether it is essentially technological, economic, social or political in its essential character*
5. Information, and Tools, *for responsible decisions,* for people—*making available both data and policies on a highly decentralized basis*
6. Objectives *of decisions,* by people *—who are working with known purposes and voluntary initiative, rather than centralized specification of actions, decisions or methods of work.*

An old friend of mine, and an able manager, used to say that the critical test to apply *before* making a managerial decision was: "How much can you lose?" because *that* would be a set-back rather than merely a failure to hold or to gain more rapidly.

THE heart of my approach here has been that you, *as a manager,* likely have greater need for *renunciation* of decision-making responsibilities that should be decentralized to others in your organization than for finding ways to grow liver ulcers by hanging on to decision-making that you honestly don't have the time, talent or need to keep.

In the wise words of my old friend—is not *your* test, too—"How much can you lose?"

Let me sum up with this basic definition of "*Managerial decision-making*"; namely that it is:

- *Exercising judgment* and making reasoned, objective and timely decisions
- To *effectuate your managerial work* and progress,
- *Taking reasonable risks* confidently, competitively, courageously; and
- On your *own responsibility,*
- On the basis of *facts and information available,*
- *Choosing* wisely from among *possible alternatives,*
- As *responsibility and need* for a decision arise. ■

Titles

by H. A. Cozzens, Jr.

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WHERE ON EARTH do we get the titles for jobs, functions and activities in management engineering?

It has taken we management people a generation to live down being called efficiency experts. We still promote misunderstanding and wonder when we sign over the title line. For example, take the supply function where buyers once did the buying and were later replaced by purchasing agents. Now some student of semantics has come up with the thought that buying is from outsiders, but since we may also make for supply we should title the function "procurement." Our legal friends recognize procurement as a high misdemeanor. Think before you sign your name over "procurer."

The primary functions of management are to plan, organize and control. We have worked the word control to death. We have production control—which an old textbook describes as "plans that will enable you to locate your sticking points." That brought on the fellow we call "the chaser" with his hot list, worn shoes, good eyesight and forceful personality. The general idea was to wham the product into the shipping room. The best known meanings of control are to check, restrain and regulate. But these are mainly applicable to corrective comparison with the schedule.

The breakdown on production control was routing, scheduling, dispatching and follow-up. Today, routing may be done by process engineers from orders based on forecasts and not the production control department. Planning is the coordinating function and the emphasis is on thinking ahead as opposed to chasing. The introduction of mechanized materials handling has changed many of the aspects of assuring production. My vote would go for calling it the production planning department. Perhaps a new worry for production control men is where did plant layout move the department over the week end.

Now we have quality control. Most of us oldtimers were very happy to achieve the quality we assumed the salesman sold, and at a price he got but which the factory never knew. (We were very adept at informal cost control.) Our job was to maintain that quality. There must be a better word than control; perhaps it could be quality assurance.

There was a time when the workers were "hands" and the rest fell into the "man" category as boss-man, fore-man, employment-man, safety-man, watch-man, ad infinitum. We simple minded folk understood what these fellows did. But today the employment man is personnel—a little hard to spell so one fellow wrote "personal" service and he may be right. The safety man has become an engineer, athough his major motivation may be psychology. The fore man has become the middle man; that is where he is most of the time.

The boss man became the superintendent because he was an overseer and had the skill to do many of the jobs. He knew little about current day management philosophy and he has been replaced by the manager, a trained professional.

In our nomenclature, are we giving the proper attention to the changing facets in plant management? Unofficial titles are becoming as accurately descriptive as personal nicknames. We know what is meant but are we helping posterity.

You may care to try your luck with meaningful and yet euphonic titles for the following:

- *Feedback expert*
- *Breakeven figurer*
- *Computer spotter*
- *Site finder*
- *Human relations man*
- *Communications whiz*

The Total Marketing Concept

by John D. Corrigan
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I WAS flying back from Chicago to New York with a man who introduced himself as the President of a Midwest manufacturing concern. When I told him I was a Management and Marketing Consultant, he said, "I've been hearing much about the Marketing Concept and Total Marketing. What is the difference between the two? Also, we have a Vice President of Sales while many companies now have a Vice President of Marketing as their top man in sales. Some companies are talking about their Director of Marketing. I'm glad I bumped into you as I'd like to know what all this marketing talk is about and if it's any different than good, old-fashioned hard selling which is what I believe we need more of today."

Naturally, I smiled and said, "Let's answer your first question first. The marketing concept and total marketing are exactly the same thing, so let's merge the two and call it, The Total Marketing Concept."

To answer his other rapid-fire questions, I was able to reach into my briefcase and pull out a blueprint which showed the total marketing concept on one piece of paper of another manufacturing concern; I had just completed a series of talks explaining this company's total marketing plans and procedures to its distributors, for proper coordination of their marketing activities to provide constant growth, better selling and greater profits to manufacturer and wholesaler alike.

"I agree with you that what we need is hard selling" I said to my companion. "But how are you going to get it? Certainly not by simply telling your salesmen to get out and do hard selling. Now, let me ask you a couple of questions. First, do you believe that the two most important factors in selling are salesmen and advertising?"

"Why certainly," he replied.

"Isn't it a fact that your company, like all businesses, is in business to make a profit, that what you make and sell is just the *means* you use to arrive at that objective—sufficient profits to warrant your existence?"

"There can be no doubt about that," he answered. "In fact, if we didn't make profits, we couldn't stay in business, nor could anyone else."

On November 13 Mr. Corrigan will conduct a Seminar for the S.A.M Lancaster Chapter, Lancester, Pa.

Then, I said, "Changes in your products, prices, and policies can have more far-reaching and sudden effect on your income and profits than anything your salesmen or advertising can do. In fact, if your products do not have the characteristics and features the consumers desire, your salesmen and advertising will be ineffective.

"Undoubtedly you have heard this one: The President of the Bow-Wow Dog Food Company had every test to prove his dog food was the best and highest quality on the market. He had an experienced sales force and spent more for advertising than his competitors. But he went broke. The dogs wouldn't eat his product."

"Yes, I've heard that one," he said, "and it certainly puts across your point about the importance of a product, and that it is the consumer who determines a company's success or failure."

"You have just stated what the total marketing concept is all about," I said, "which is that all planning in a company starts with the consumer and works back to the plant. This assures profits, growth, and progress—the three factors that you, as President of your organization, desire above all other things.

"As you well know, many things can bring about these results. All factors in your income-producing activities

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must be considered in your planning, and should be the responsibility of one man regardless of title. This man must understand the specialized functions not only of personal selling, promotion and advertising but product design, pricing, distribution costs, etc., as well as coordination and control so that each factor can be made more effective through co-operation of divine grace and human activity, synergistic efforts.

Now, let me ask another question. Do you make a product, price it according to your plant's standard cost system, then give it to your V.P. of Sales and tell him to go out and sell it?

He shook his head. "I'm afraid I'm like the President of The Bow-Wow Dog Food Company," he replied.

"Well," I remarked, "you probably came up through production or finance."

"I moved up to the Presidency from V.P. of Production. I happen to be an engineer," he stated.

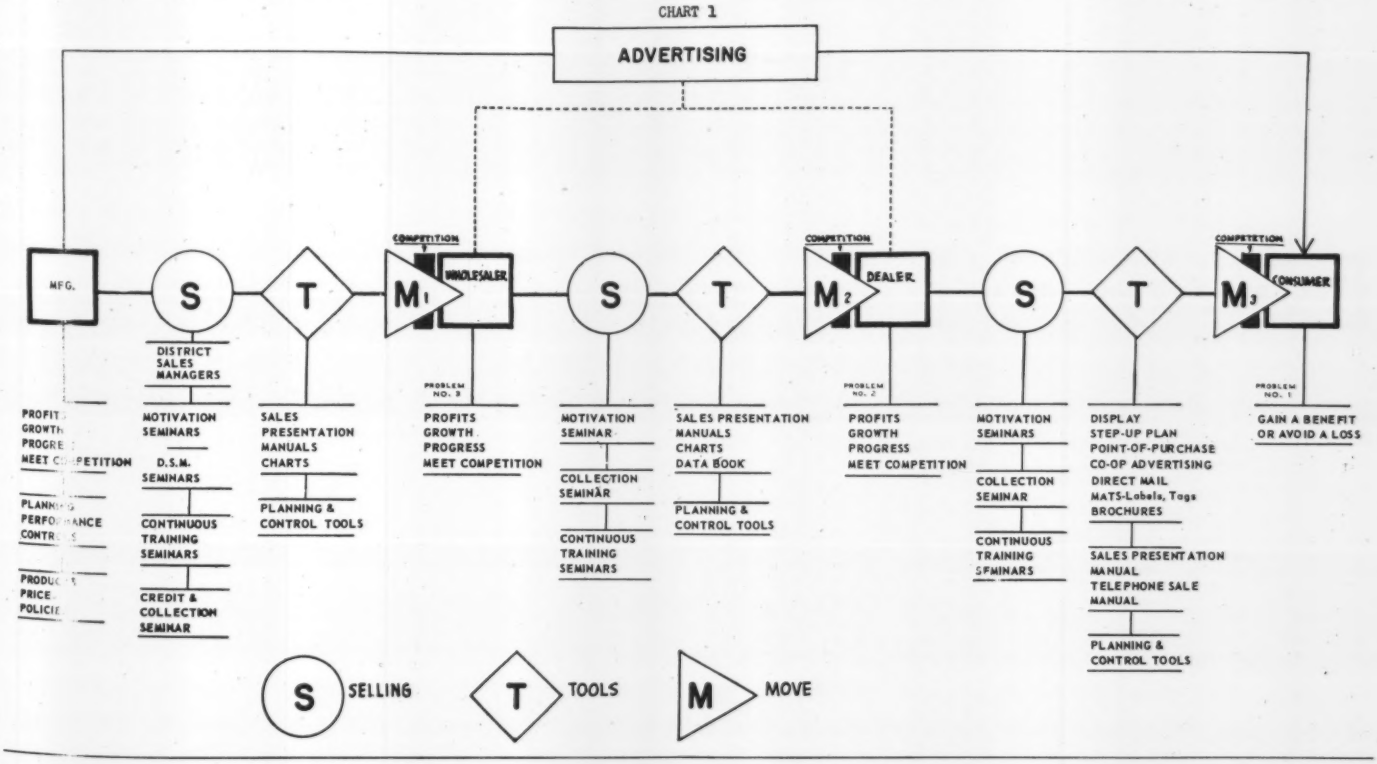
I smiled as I said, "So am I; therefore, I can't hold that against you. I started out as an industrial engineer. Later, I switched to cost engineering and budgeting, then into marketing. Andrew Carnegie will go down in history as probably the greatest steelmaker who ever lived. Carnegie was actually one of the great administrative and marketing executives. He was district manager of the Pennsylvania Railroad in Pittsburgh before going into the steel business. According to steel men he knew little or nothing about making steel. But he had the finest and best steel men in the world working for him. You can supplement yourself with a qualified marketing manager. But the important thing is to get the whole management group to appreciate the essential nature of the marketing function and for you to pave the way for its operation and authority in all areas for income producing. And don't appoint a marketing committee because you do not have a person qualified for the job. Get a qualified man and hold him responsible. Or if your V.P. of sales is qualified, give him the duty along with the authority, responsibility, and your support for the total marketing concept in your company.

"The first big publicity on marketing began in the early '50s when GE made their top sales executive Vice President of Marketing, and an advertising columnist quibbed, 'A rose by any other name smells as sweet.' At this time GE reorganized to meet the tough competitive conditions ahead and moved the product research and design section from the engineering department over to the marketing department in order to 'eliminate those brilliantly designed engineering products which were not adequate at the market place.' GE knew soft selling would not last forever and their long-range planning required them to get ready by starting their planning with the consumer. Actually this was about the time of the start of the revival in selling. Many are calling it marketing to bring out its importance, and the attention essential to the many factors for hard selling, as you call it. I call it 'creative' selling, which only a professional salesman can do—with the proper backing and support of his company. There is no more important function in marketing than *creating* creative salesmen by teaching them the technique that motivates consumers to buy from them."

Management, as expressed by my flying companion, is becoming acutely conscious of its marketing and distributing functions in producing profits. It realizes that to restore profit margins, cut by the cost-price squeeze and highly competitive markets, more efficient and effective selling methods must be developed and skills strengthened.

Profit is the result of a long chain of interrelated activities, functions and skills. And no single link in the chain is less important than any other. These factors need to be put in perspective by Top Management, and its attention first focused on the basic design of the marketing and distributing process. The key to profits lies in the processes of administration. The key to *greater* profits in selling lies in the marketing and distribution process. The amount of

CHART 1



profits resulting from selling performance rests on a Top Management that *desires* to improve performance and has the will-to-do, along with the required skills.

Until Top Management takes this sleeves-rolled-up attitude there will be no action. Departments within an organization will not act without leadership and direction. One activity will be tried with no results instead of a strengthening of the entire marketing and distribution process.

I OBSERVED two products made by two manufacturers. They were, as many products are, almost identical except for the labels. One was made by a highly profitable company; the other, by a company operating in the red. Both companies were old and well known. In fact, the unprofitable company was selected as the company doing the best advertising and public relations job in its industry a few years ago. Why should these great differences in profits exist? For every result there is a cause.

When the economic storms hit this industry, the unprofitable company increased its advertising. The profitable company did likewise, but it also strengthened its distribution process—the process that converts consumer acceptance into orders and makes advertising pay off.

In the manufacturing process it is well known that you cannot convert materials into a product that will operate with parts missing. Neither can you do so in the distribution process. In production the process is carefully planned and blueprinted. And so must it be in the distribution of the product. When distribution policies cannot be set forth in writing and in definite functions that are clear as to how results will be attained, they are indefensible.

Here (chart 1) is a basic design of the fundamentals in the distribution process of a company. Note that three moves—moves where competition can block you—are required for the product to get from manufacturer to consumer. A move requires action which must be stimulated by various marketing functions and activities.

Each step, or move, in the distribution process requires different methods, techniques, tools and motivation procedures. For instance, there is a furniture manufacturer who provides his dealers with fifteen different selling aids, or tools, for use in motivating customers to buy. *And until customers buy, nothing moves.* The number of consumers sold in any given period determines the speed of products moving out of the manufacturing plant and through the warehouses of wholesalers and dealers. The faster this occurs, the greater profits will be for all concerned.

In the four large squares on the chart, are the people involved in sales. Each has a different motive for buying. As a manufacturer, if you sell to wholesalers, to dealers, to consumers, you have four major problems to solve. If you sell directly to your consumer you have two major problems to solve. All major problems are made up of many little ones. Solve the little ones and the big ones will no longer exist. This is why you will hear one marketing man say, "There are 120 factors to consider in total marketing," and another will state, "There are 278 factors to watch when you are considering the marketing concept of a company." Well, maybe these statements do make marketing sound big and important to some people.

Since planning starts with the consumer, it is the number one problem to solve. Why will the consumer buy your product? There are two and only two reasons: 1) To gain a benefit; or, 2) to avoid a loss of something he now has. You can hire all the sociologists and anthropologists, who concern themselves with people in groups, and all the psychologists and psychiatrists, who concern themselves with individuals, or any other human behavior scientists, and they cannot come up with any other reasons. If you know the psychological scale, the characteristics and features of your product or service offered, and have conceptual skills which are requirements for every certified professional salesman, you will sell your consumers in terms of benefits to be gained, or losses to be avoided.

Some advertising agencies hire motivational research people to tell them what makes a consumer believe he's gaining benefits from a client's product for ideas to give to copywriters. This makes MR important. *Business Week* stated: *Any copywriter . . . could produce better ads if he talked to a dozen or four hundred customers first than if he contented himself with batting bright ideas around a table at Twenty One.*"

Draw a blueprint of your distribution process as the first step in a marketing plan. Under the consumer block on your chart list all the benefits that the characteristics and features of your product will provide to the consumer. Make sure these same motivation factors are in the advertising you direct at the consumer.

To sell the consumer the dealer has salesmen and these salesmen need sales tools that bring out the benefits to the consumer so that he'll be motivated to buy. Under the diamond on your chart list the sales tools needed. Under the circle list what needs to be done to make the dealer's salesmen more effective.

Here we show the dealer's, the wholesaler's and the manufacturer's fundamental desires are the same. What are you doing to help the wholesaler fill the desires of his dealers? What are your salesmen doing to fill the desires of your wholesalers?

Today, executives are talking about their distribution process as if it were a conveyor belt that carries products to the consumer with every part that makes the sale properly scheduled. They are using time-studies, methods, standards, and the many other techniques of scientific management used so successfully in the plant, to make their selling operations efficient and effective.

In production you will find a methods department that keeps seeking for better ways to reduce time and eliminate waste and error. Methods Engineers are constantly developing new tools, jigs, and fixtures to aid in their quest for lower costs and greater efficiency. They set standards and when they are not met they are there to follow up. No method or system has ever run itself.

Profitable companies are using these same techniques and methods at every step in their distribution process from the shipping platform to the consumer. Selling tools, jigs and fixtures are being developed to make the selling job easier, faster and at less costs.

MANY companies believe this will increase distribution costs. And there is much faulty thinking and erroneous data being published today on distribution costs. It costs money to buy a tool out in the shop, but if it will reduce unit costs, it will increase profits. The same is true in selling. If you reduce the cost per unit sold even though you may increase your over all distribution costs, you increase profits. Generally, when you make a distribution analysis, you find waste that can be eliminated, and you find that the total costs actually can be reduced much more than the cost for needed sales tools. An experienced analyst keeps his eyes focused on profit. When management thinking does not

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The Supervisor Hasn't Had A Chance

by M. S. Lachman

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FOR MANY YEARS business and industrial human relations training courses for supervision have concentrated on beating supervisors over the head with a club, implying there would be no human relations problems if they would only treat people right. This approach has weakened the supervisor's position more than most of us care to admit.

This fad, now sweeping through business and industry, can be compared to scientific management, efficiency systems, multiple management and others in the past—it is founded on sound principles, but through popularization it has become distorted.

Although some good has resulted from these fads, we must recognize that when a new or different discipline is presented everyone tends to hop on the bandwagon. Many writers and speakers take a complicated discipline, break it down into an oversimplified form, and the popularized version is born. From this point on only a few will stop to examine the values. During this process much damage is done and, historically, it is some time before the solid core is exposed and worthwhile elements sifted out and identified.

Perhaps you have wondered, as I have, just how much the supervisor's position has been affected by the popularized version of human relations training in business and industry. What is the effect on employees of this training which seeks to increase productivity by encouraging the "right" kind of employee treatment on the job? Is this brand of human relations training for supervision in harmony with company objectives?

The answers to these questions, and others like them, may change one's first impression, which is to feel that any human relations training for supervision will not only make the supervisor's job easier, and more pleasant, but in addition increase employee productivity.

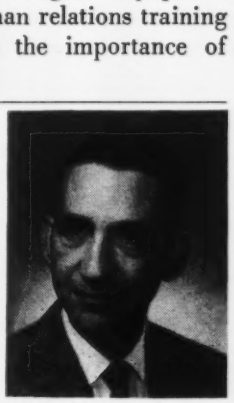
Human relations is such a broad term that in any discussion of it we need to define specifically what is meant. To me the definition that seems most appropriate for our purpose is "*those behaviors that involve day to day interaction between supervisor and subordinate with respect to getting work done*". After all, this is the supervisor's primary responsibility — accomplishing work through people. But, oddly enough, the popularized version of human relations training seems to overlook the importance of getting work done.

Certainly not enough has been said about individual responsibility for work. Too little has been expected in terms of individual self-discipline and self-development. We have sought, through training the supervisor in human relations, a magic formula which would enable him to so manipulate people as to compensate for their lack of individual personal responsibility. I think we are beginning to find this cannot be done.

Here is why. The present human relations training philosophy has placed an unpleasant onus on supervisors who have legitimate, work-centered problems with people; people who, for one reason or another, are not contributing their fair share to the work. But even though the supervisor knows how to discipline when the need arises, he is practically forced to go along with the prevailing trend.

For the supervisor this has created a dilemma. For example, he has to get a job done—through people. If he fails in this he may be accused by his superior of not being able to handle people. A check may reveal he is going overboard on human relations; he is working hard at keeping his people happy, but the job doesn't get done. On the other hand, if he has a problem with an individual in his group, even though the group's job is accomplished, he may still be accused by his superiors of not being able to handle people. The supervisor is caught in the middle; the poor guy hasn't got a chance.

Real honesty in dealing with people has become unpopular. As a result the supervisor is being required to assume



MR. LACHMAN joined Convair in 1942 as Supervisor of Customer Training. In 1945 he went into the air force, then into business for himself (sales) after discharge from the service in 1946. In 1950 he returned to Convair as Assistant Supervisor of Management Development. In 1955 he was promoted to Supervisor. Mr. Lachman is a member of the American Society of Training Directors and the Personnel Management Association.

a role which is often not only in conflict with his basic common sense and personality but in reality conflicts with the work objectives of the company.

Let's give our supervisory group credit for their patience and understanding during the present phase of the human relations fad. During this period we have assembled them around conference tables and required pat answers to problems dealing with people, when we know there are no such pat answers. We have assumed that this kind of training will change individual attitudes, when we know attitudes change slowly. The rapid change which we expected is usually the result of personal experience more dramatic than any classroom experience can provide.

HUMAN relations training is generally intended to develop leadership qualities. Leadership is an important element of the supervisor's job, but it is not the one job element which determines whether a man is a successful supervisor. In short, too much of the wrong kind of emphasis has been placed on the supervisor's ability to get along with people. Certainly this difficult-to-define quality is important, but we seem to have disproportionately inflated its value when considering all elements of the supervisor's job.

He needs other important knowledge and abilities, yet most human relations training programs seek to convince him that *all* he needs to do to be successful is to get along well with people; that is, develop his leadership ability. We need to be reminded that many great leaders have been very poor managers.

We can logically assume that supervisory human relations training is an integral part of the overall program to accomplish company objectives. If this assumption is true, top management must be concerned with each element making up the total program, and if they feel human relations is a necessary part of supervisory training, they must clearly state this in the company philosophy, policy and objectives. Only upon this foundation can the most successful human relations training, tailored to the individual company's total plan, be built.

Unfortunately, it appears that most company top management has been all too eager to delegate to some staff the responsibility for setting up the company program of human relations training. Little if any consideration seems to be given to the environment in the line organization which is being subjected to new ways of thinking about human relations problems. The training may or may not be in concert with top management's thinking; that is, planning to reach company objectives. The individual supervisor, during and after training, is often unable to see any real relationship between his experience in the training class and the job environment. In fact, he is often confused by the paradox and says so when he remarks, "I wish my boss would attend this class", or "This is fine; I agree with the concepts presented here in the classroom, but my boss has other ideas about how to handle these problems. He wouldn't go for this at all."

Let's help the supervisor find more realistic solutions to problems dealing with people. Let's strengthen his position through recognizing that he will have such problems; make clear that he can get assistance rather than making him feel he is *wrong*, can't handle people and consequently is not a good supervisor. It's time we realize that the supervisor is on the front line, that he is the only member of the management group dealing *directly* with the working level, and that his subordinates have a somewhat different outlook than higher levels of management.

Instead of trying to tell supervisors how to manipulate people, let's bring to their attention what is known about human behavior in the work situation. The surface has only been scratched with respect to using information which research has already made available. Give the supervisory group information of this kind and they will use it *if* they see this same knowledge applied at all levels within management, and particularly to themselves. Remember, men tend to supervise as they are supervised.

Knowledge and example will almost certainly assure a better understanding of human behavior. This knowledge will preclude making rash judgments of employee behavior which results from the multiplicity of causes that are responsible for a given action on the part of an employee.

RESEARCH indicates we should: (1) clearly define to supervision what is meant by human relations training as it applies to their responsibility; (2) point out to supervision that poor job performance is not to be excused because of inadequate human relations on the part of subordinates, but rather that solutions to problems must be sought to obtain more adequate job performance; (3) make clear that supervisors are not to act as psychologists or psychoanalysts, but rather have explained to them why their behavior, which should include respect for the individual, impartiality and fairness in appraisal, can lead toward increased productivity.

There is no quarrel here concerning the need for continued research in the social and behavorial sciences and the good which can come from this. The real stumbling block has been misapplication. There is no doubt that a greater awareness of human relations is needed in business and industry, and this need is real in terms of uniting the total work force to achieve business objectives. ■

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cause profit results, one of two things happens: the company goes out of business or it gets new management.

Naturally, it is important to control cost. But remember that for every action, for every activity in your business, there is a corresponding cost factor. Also, costs are only too high when they are higher than they need be for the action essential to product profits. When you eliminate a profit-making activity, or cut down on your income-producing efforts (sales), you cut profits.

There are two methods that will reduce your cost of distribution without destroying profits. One is to eliminate present waste in your distribution process. The other is to increase sales volume by increasing effectiveness of present salesmen, and other marketing efforts.

You eliminate waste in your distribution process by evaluating each activity in each step. This analysis will tell you where you can strengthen your present activities. It will show you how to get greater returns on present expenditures essential for profit making.

The fastest and most effective method to increase sales and profits is to retrain your present salesmen—give them the techniques of motivation, how to motivate people to buy, to buy in larger quantities, and to buy the complete line. Then, provide them with sales tools so they can get their sales presentations over clearer, faster, and more effectively. When you have done this for your own salesmen, do it for your wholesalers' and dealers' salesmen, and you will grow and prosper. Your stockholders will be pleased with the increases in dividends you will be able to give them. ■

Note: As originally published, this article included four statistical tables containing measures of output, input and productivity, together with explanations of the data. Due to the necessity of conserving space, these tables have been omitted. Interested readers are referred to the complete article in "Business Horizons," Bureau of Business Research, Indiana University, Vol. 1, No. 1.

Productivity: Facts And Fiction

by Theodore N. Beckman, Ph. D.

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and

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PRODUCTIVITY was recently given the apt designation "hot new issue" by *Business Week*.[1] Once restricted to discussions in college economics classrooms, productivity has now come to the forefront as a political and practical economic question of considerable importance. Unfortunately, because productivity *is* a hot issue, more heat is being generated than light. Not only are the statistics on productivity in dispute, but the very meaning of the term is obscured by the claims and counterclaims in circulation.

Although there is considerable controversy on the subject, everyone concerned with it seems to agree on one thing: Productivity is one of the most important concepts of applied economics. Patriots boast of the United States as the country with the highest productivity in the world; businessmen point with pride to their real and imagined accomplishments in this area. Labor leaders justify demands for higher wages in terms of alleged productivity increases. President Eisenhower, his Council of Economic Advisers, and the Congressional Joint Economic Committee have all made public statements on the subject in recent months. Just as everyone is against sin, so everyone seems to be for productivity.

[1] "*Productivity—The Hot New Issue*" (*March 9, 1957*), *pp. 25-26.*

Just What Is Productivity? Why Is It So Important?

Clear answers to these questions are difficult, if not impossible, to find. Examination of the statements of business executives and labor and political leaders reveals great confusion and disagreement. Confusion exists, in the first place, as to the basic meaning and nature of the productivity concept. For example, productivity is sometimes unfortunately confused with "production" or "output." Some writers reveal a basic misunderstanding by asserting or implying that productivity is in itself a good thing. This, of course, ignores the fact that it can be high or low, just as profits or wages can be high or low, and that low productivity is anything but good.

Even those who agree on the nature and substance of productivity frequently disagree on proper ways of measuring it. These differences arise from the differing measurement techniques used.

Finally, granting agreement as to the meaning and proper methods of measuring productivity, disagreement would still exist on the interpretation of the data and the conclusions drawn.

Meaning and Measurement of Productivity

Much, if not most, of the confusion about productivity arises from definition. Admittedly, precise definition of the productivity concept is a difficult task and this concept cannot readily be translated into laymen's language. As if this were not enough, development of proper techniques for measuring productivity is still more complex. Nevertheless, some agreement must be reached on a definition of productivity and on a general approach to productivity measurement before any meaningful analysis can be attempted.

Productivity Defined—Productivity is a ratio of *output*, or the results of production, to the corresponding *input* of economic resources, both during a given period of time. Problems of definition arise for both output and input, as well as for the scope of a given productivity ratio. A proper concept of output includes all goods *and services* that have market value and that are created through the process of production. This includes the values created by marketing and by the "service industries" as well as those created in the extractive industries and in manufacturing. Input, on the other hand, includes all of the factors of production expended or employed in creating output; these are labor, management, capital, land, and (from the viewpoint of a business enterprise or an industry) also government.

Problems of Measurement—The technical problems of productivity measurement center around the definition of

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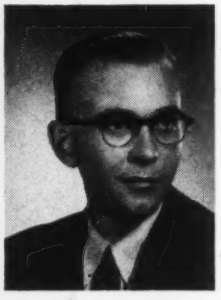

ROBERT D. BUZZELL

stable, meaningful units of output and input. In very narrow productivity measures that apply to some specific task within a business, these problems do not pose major obstacles. The output of a routine clerical employee, for example, is readily measured in terms of units of work turned out such as invoices or checks prepared. Input, for the sake of simplicity, consists of hours of labor and equipment used. Since the equipment (capital) factor probably remains unchanged over a considerable period of time, changes in productivity are reflected in increases or decreases in the number of units of work produced per clerk man-hour. This type of measure forms the basis for most piece-rate systems of compensation for routine factory workers.

REAL problems of output and input measurement are encountered when dealing with the productivity of a business enterprise as a whole, an industry, or an economy. The "output" of an enterprise may consist of many different kinds of goods and services which, together, form the *end product* sold in the market. How can these different classes of output, which differ greatly in relative importance, be combined into any single overall measure? The only feasible way is by means of a monetary common denominator. But monetary units do not remain stable, being subject to changes in the value of money itself. Some kind of adjustment must, therefore, be made in monetary output measures, usually by means of an appropriate price index. This, in turn, leads to further complications. One of the most important is that most so-called real output measures (adjusted for price changes) exclude changes in the quality of products. Thus, for example, a 1957 automobile is regarded as equivalent to a 1940 automobile. While this obviously leads to distortions in output measures, there is no way to discriminate between quality changes and price changes per se under presently available techniques.

With regard to input, the problem of combining different classes of resources is even more complicated, for at least two major reasons. First, it is not possible or practical to combine the several factors of production in physical terms. Man-hours of labor cannot be added to acres of land, or to units of delivery equipment, any more than men's suits can be added to oranges in the output measures. Moreover, the same monetary common denominator cannot be used as in the case of output, partly because there is no single price index for labor, capital, rent, and other factors of production. For this reason, output usually must be related to each of the various factor inputs (labor, capital, and so on) separately in a series of productivity ratios rather than all at once in a single, over-all measure. But, when this is done, there is the problem, almost insoluble at present, of determining the contribution of each factor to changes in productivity when all factors are to be combined into a single measure or index—the so-called total factor productivity.

Importance of Productivity

The importance of productivity arises primarily from its relationship to the general standard of living, or, more properly, to the *level of consumption*. It is one of the few issues on which leaders of labor, management, and government are in full agreement; namely, that in the long run living standards depend on the efficiency with which our economic resources are utilized. This is readily illustrated by reference to a "Robinson Crusoe" economy of the type described in many elementary economics textbooks. Suppose that the one-man labor force of such an economy devoted his efforts entirely to the cultivation of potatoes. His standard of living would then be determined by the quantity of potatoes produced. This, in turn, would depend on 1) the number of hours worked, 2) the output per hour, or his productivity. Since there is a definite limit on the number of hours which could be worked and since some leisure time is desired or essential, productivity or the rate of production per unit of time by the one man determines his standard of living.

In a complex industrial economy, the connection between productivity and living standards is basically the same as it is in a Robinson Crusoe economy. As goods and services are obtained through exchange, however, the relationship becomes an indirect one in which changes in productivity affect living standards through their effects on wages and other distributive shares, hours of work, and prices.

Wages and Other Distributive Shares

Since productivity is a relationship between output and factor input, it follows that the level of productivity is basically important in determining the rates of compensation of the various factors of production, namely, the wages of labor (including managerial labor), the rent of land, and the rate of interest on capital (including the rate of return on invested capital).

Because labor is quantitatively the most important class of factor input, the association between productivity and wages has been of particular interest. Increasing attention is being paid to productivity trends in bargaining between labor and management. Productivity-wage relationships also affect the general price level, hence public and

governmental attention is focused on the subject. Inevitably, the accuracy and significance of productivity statistics have become topics of heated controversy. Actual use of the data for purposes of wage determination, however, appears to be quite limited. More often, the interests of the parties involved seem to lie in converting productivity figures into justification for specific wage or price increases.

THE importance of productivity-wage relationships was further pointed up by the policy adopted by the Wage Stabilization Board during the Korean War period. The Board sought to confine additional wage payments, especially of the incentive type, to payments that would not be inflationary, and justification in terms of productivity gains was regarded as a valid ground for allowing wage raises. In one case in which one of the authors served as consulting economist, a substantial employee bonus was allowed only on the basis of the increased productivity of the company involved and the demonstrated direct relationship between productivity and incentive payments. The Board, in adopting such a policy, was simply applying a principle well known to economists: As long as increases in the compensation of factors of production are offset or more than offset by productivity increments, they are not inflationary; but if they exceed the added productivity, prices will tend to be raised correspondingly. This leads to a consideration of the general relationship between productivity and prices.

Prices

As suggested by the preceding discussion, productivity and rates of compensation to the factors of production have a joint effect on prices. This has been recognized by President Eisenhower, who declared that "Wage increases that outrun productivity . . . are an inflationary factor. They make for higher prices."[2] Current concern over "creeping inflation" has made productivity a political issue of more than passing significance.

Available information on wage and productivity trends clearly indicates that increases in *money* wages have greatly exceeded gains in output per man-hour in the postwar period. In manufacturing, average hourly earnings increased by 60.1 per cent between 1947 and 1956 while output per man-hour increased by only 30.1 per cent.[3] This disparity may, however, be interpreted in at least two ways. One school of thought holds that wage increases in excess of productivity gains *cause* price increases through the pressure of unit labor costs on profit margins. This line of reasoning, of course, suggests that labor unions with their demands for higher wages are the villains of the inflationary cost-price spiral. On the other hand, labor leaders defend wage demands as necessary to maintain workers' living standards in the face of rising prices. Which precedes which is not always easy to determine, since the cause-and-effect relationship may be indirect—as when prices are raised in contemplation of anticipated wage increases certain to come shortly thereafter at the expiration of a labor contract.

Since average hourly compensation (including fringe benefits) *in constant dollars* increased by only 32.6 per cent between 1947 and 1956, it would appear that real wages have just about kept pace with productivity trends. Unfortunately, all of these figures represent *average* wage and productivity increases and cover only manufacturing industry. Because the pattern of changes in money incomes is uneven, with many segments of the population not sharing in the higher wages, many real incomes have suffered during the period in question.

In addition to its influence on wages, profits, and prices, productivity is of great importance in business management as a measure of the effectiveness of performance. Appropriate measures are used in many progressive concerns today, and will probably come into still wider use, for this purpose. Such measures are also useful for planning input requirements relative to known or predicted levels of output. Ratios of output to labor input, for example, are useful in determining the size and composition of the labor force needed to operate a plant, store, or warehouse.

Productivity Trends in the U. S.

Before examining some of the current misconceptions about productivity, it is necessary to establish what the facts of the matter are:

first, for the economy as a whole;

second, for all manufacturing industries;

third, for the automobile manufacturing industry.

For the entire period 1929 through 1956, the average annual increase in productivity was 2.4 per cent for the economy as a whole and even less (2.0 per cent) for all manufacturing. The 27-year period is conveniently divided into three subperiods for purposes of analysis: (1) the prewar period, 1929 through 1941; (2) the war and reconversion period, 1942 through 1946; (3) the postwar period, 1947 through 1956. Average annual rates of change have also been computed for the last five years of the period, 1952 through 1956, showing our most recent experience.

With respect to the economy as a whole, output is measured in terms of private gross national product at constant (1947) prices per man-hour of labor. The *prewar* average annual gain of 2.6 per cent (which was identical for the entire economy and for manufacturing) differs but slightly from the *postwar* average of 2.7 per cent. During the war and reconversion period, however, the average increase per annum fell to 1.5 per cent. This is to be expected, since during the war marginal types of labor were used, obsolescence of capital equipment was retarded, and long hours, including substantial overtime, were worked. These factors had an even greater impact on manufacturing, where productivity actually *fell* by an average of 1.6 per cent annually between 1942 and 1946.

In manufacturing, the postwar rate of increase in productivity exceeded the prewar average considerably. From 1947 to 1956, output per man-hour rose by 30.1 per cent or by an annual average of 3.2 per cent, as compared with 2.6 per cent between 1929 and 1941. The upward trend after 1946 is presumably explained by greater mechanization in manufacturing than in other segments

"The outstanding defect of the conventional profit and loss statement is that it . . . reports profits made but it does not show profits lost . . ."

From DEAD HAND OF JOHN GOUGH
by G. Charter Harrison; pg. 8. Madison, Wisc. 1941.

[2] *"Productivity—The Hot New Issue," p. 25.*

[3] *Average hourly earnings of nonsupervisory workers were $1.237 in 1947 and $1.980 in 1956. (Joint Economic Committee, "Economic Indicators" [Washington: 1957], p. 31.) For productivity data, see table 2.*

of our private economy, but the data are by no means clear on this point. Since 1952, manufacturing output per man-hour has increased by only 2.7 per cent annually, despite the fact that "automation" has been introduced largely during that time.

Further doubt on the efficacy of automation to date in increasing productivity is raised by the available data for the automobile manufacturing industry. Since this is a highly mechanized industry, and since it is the industry in which the word "automation" was originally coined, one would expect much greater productivity gains here than in other industries. Instead, just the reverse is indicated. From 1947 through 1956, output per man-hour in automobile manufacturing gained by 2.8 per cent annually, well below the rate for all manufacturing (3.0 per cent) and still lower than that for the economy as a whole (3.2 per cent), both for the same period of years. Furthermore, the rate of increase in the automobile industry *fell* after 1952, with the annual gain declining to 2.0 per cent. These data suggest that the presumed effects of "automation" on productivity have not as yet materialized and that there may be some offsetting influences at work worth investigating.

One more general point may be made before specific productivity fallacies are described. It has been assumed by many that productivity in this country is increasing *at an increasing rate*. This is clearly false, since there were lower average annual increases after 1952 than before. In 1956, only small gains were made in the economy as a whole and in all manufacturing, 0.8 per cent and 1.4 per cent, respectively. In the automobile industry, often regarded as a paragon of high productivity and progress, output per man-hour fell by 1.9 per cent from its 1955 level.

"In connection with the man's record, it is the most complete analysis we can make of the working of a plant, and the one that will help us most quickly to bring into their proper channels things that have gone haphazard."

WORK, WAGES, AND PROFIT by Henry L. Gantt, McGraw-Hill Book Co., New York. 1913.

Common Misconceptions About Productivity

Attention may now be turned to certain misconceptions which appear to be commonly held. There are several reasons for the currency of such misconceptions. First, the complexity of productivity concepts makes full understanding of them difficult, even for businessmen accustomed to deal in ratios and trends. It is not surprising that the general public should hold rather vague notions on the subject. Second, many of the data on which productivity analyses are based are of debatable meaning or accuracy. Third, and perhaps most important from a practical point of view, groups with essentially conflicting interests have concerned themselves with productivity. Leaders of business and organized labor, aware of the public and governmental interest surrounding wage negotiations or announcements of price increases, have sought to utilize the same productivity statistics to justify opposite positions.

In this general atmosphere of confusion and conflict, the basically objective character of productivity, and of its measures and usefulness in public and private policy formulation, has tended to become obscured. If at least some of the smoke can be cleared, the way to better understanding of the subject can be indicated.

Productivity and Production — Productivity is sometimes confused with *production*, the term commonly used to designate *output*.[4] Production or output is, however, only the numerator in a productivity ratio. This point may appear so obvious as to call for little comment. Nevertheless, the mistake has been made, even by economists. For example, in a recent discussion of productivity in relation to market expansion in a house organ of a leading consulting organization, reference was made to an annual increase of 3.3 per cent in "productivity." Analysis of the sources of this rate of increase showed that two-thirds of it (2.2 per cent) was derived from "more output per worker," while one-third (1.1 per cent) came from "more workers." Clearly, the terms "productivity" and "production" were being confused in this analysis. The actual annual rate of increase in productivity in this instance, when properly defined, was 2.2 per cent.

Comparison of the year-to-year changes in output (gross private national product at constant prices) and productivity indicates that there is no necessary or close correspondence between the two. In fact, in six of the years since 1929, changes in output and productivity were in opposite directions. Moreover, even when the two variables changed in the same direction, the relative changes in output were typically much greater than those in productivity. In 1951, for example, private GNP at constant prices increased by 5.4 per cent while private GNP per man-hour of labor increased by only 0.5 per cent.

Total Factor Productivity and Labor Productivity—It is customary to use the term productivity as synonymous with *labor* productivity. Several of the reasons for the emphasis on labor productivity are:

- Much of the interest in productivity has arisen from wage disputes between industry and organized labor. In this context it is natural that attention would be directed to the relationship between output and hours worked, as a means of evaluating (or justifying) a given hourly wage raise demanded.
- And closely related to the first reason, one of the most important sources of productivity information is the Bureau of Labor Statistics of the U.S. Department of Labor. The Bureau's interest in productivity dates from the 1890's, and since 1941 an organized program of productivity research has been carried on. Here, again it is natural that emphasis would be placed on labor input.
- As a direct result of the Bureau's program, most of the available information on productivity is in terms of labor productivity. Hence students of the subject have been unable to broaden the concept except in qualitative terms, that is, without statistical information.

ALTHOUGH the reasons for emphasis on labor productivity are understandable enough, there is danger of making it synonymous with total factor productivity. The inference can be drawn that labor is solely responsible for productivity gains, if any, and that the benefits of increased productivity should consequently accrue entirely to labor.

[4] *In common parlance, the terms "production" and "output" are used interchangeably. It is desirable to make a distinction between them, however.* Production *is any activity which creates economic values.* Output *designates the* results *of production, that is, the goods and services created in the production process, provided, again, that production is taken in the economist's sense as the creation of utilities or economic values.*

Actually, a principal reason for the long-run upward trend in output per man-hour is known to be the *substitution* of capital equipment for labor. This is reflected in the increasing amount of capital investment per worker which characterizes almost all segments of our economy, especially manufacturing.

Since the long-run increase in output per man-hour is affected by the substitution of capital for labor as well as by increased over-all productivity, it obviously would be desirable to separate these two influences in any analysis of productivity trends. No generally acceptable technique for accomplishing this has yet been devised, but a recent study by John W. Kendrick for the National Bureau of Economic Research gives some clue as to the extent of substitution. Kendrick's data indicate that *total factor productivity* has increased by an average rate of 1.7 per cent per year since 1899 (instead of the mythical 3 per cent annual improvement factor), while *labor productivity* gained by 1.9 per cent annually and *capital productivity* (output relative to the value of tangible assets) increased at the rate of 1.1 per cent.[5] As a rough approximation of the relative importance of the two factors in over-all productivity, increases in the productivity of each may be attributed to the other. In other words, the 1.9 per cent annual gain in output per man-hour of labor can be attributed to increased use of capital equipment, while the 1.1 per cent annual gain in output per dollar of assets employed may be attributed to increased skills and efforts of labor. Using the ratio of 1.9 to 1.1, one might, for the sake of argument, say that 63.3 per cent of the gain in over-all productivity should be attributed to capital and 36.7 per cent to labor.

Needless to say, this method of proportionally attributing productivity gains to labor and capital, respectively, is extremely crude. No account is taken, for example, of changes in *managerial* factors, such as organization and layout, which may in fact in specific situations be more important than either labor or the amount of capital employed in causing productivity changes. Whatever the "proper" division of productivity changes, however, it is important to distinguish between labor productivity, the productivity of each of the other factors, and total factor productivity.

"Productive" and "Nonproductive" Labor.—Estimates recently prepared for the Joint Economic Committee show an increase of 39.9 per cent in real output per man-hour for all manufacturing from 1947 through 1956.[6] This is substantially in excess of the 30.1 per cent increase in productivity previously mentioned. The discrepancy arises from the fact that the Joint Economic Committee data, like those of the Bureau of Labor Statistics, are based on so-called *production workers* only. The untenable distinction between "production workers" and "nonproduction workers" is another major misconception in the study of productivity.

According to the Bureau of Labor Statistics, "production workers" include

> ". . . all nonsupervisory workers (including working foremen) engaged in fabricating, processing, assembling, inspecting, receiving, storing, handling, packing, warehousing, and shipping; also, workers engaged in maintenance, repair, janitorial, and watchman services, product development and auxiliary production for a plant's own use (e.g., powerplant), and record-keeping and other services immediately associated with these production operations."[7]

In computing its productivity data, the Bureau relates output to the man-hours worked by these workers only. Excluded are "nonproduction workers," consisting of

> ". . . those engaged in executive, purchasing, finance, accounting, legal, personnel, cafeteria, medical, professional, and technical activities; sales, sales delivery, advertising, credit, collection, installation and servicing of the firm's own products; routine office functions, factory supervision, and force-account construction."[8]

This arbitrary division of workers may be criticized on several grounds. Apparently the basis of the classification is the participation of the worker in *physical changes* of products such as fabrication, assembly, or processing. Even on this basis the breakdown is an arbitrary one; for example, why should a janitor be classed as a production employee, but not a factory supervisor? Or, if it is argued that the purpose of the classification is to separate supervisory employees from nonsupervisory workers, why are many of the latter group classed (for example, routine office workers) as nonproduction workers?

Furthermore, there are even more basic criticisms of the division between "production" and "nonproduction." The ultimate basis of the division seems to rest on the antiquated and completely untenable concept that only *physical* production or form utility creation is true production. If such a division were applied to the economy as a whole, the vast majority of all workers would be regarded as "nonproduction" workers. As of mid-1956, only 43.2 per cent of the employed labor force of the United States was engaged in activities connected with physical production (manufacturing, agriculture, mining, and construction). The remaining 56.8 per cent (employed in transportation, public utilities, wholesale and retail trade, finance, insurance, real estate, service industries, the professions, and government) would be classed as unproductive by this standard.[9] Furthermore, even within manufacturing, over 20 per cent of all workers are in the "nonproduction" group, and an undetermined number of employees in the extractive industries and construction should also be so counted. Hence, if the Bureau of Labor Statistics division were applied to all employed persons as of mid-1956, well over 60 per cent would be regarded as "nonproduction" workers.

Use of the term "nonproduction" implies that certain workers are productive and others unproductive. While it is not the intention of the Bureau to put such a stigma on all salesmen, executives, professional persons, and others not engaged in altering the physical form of goods, nevertheless its terminology perpetuates an idea long ago discarded by economists.

More important for purposes of productivity analysis, restriction of labor input data to so-called production workers creates a serious bias in much of the published information on the subject. As noted previously, there is a very substantial difference between the rate of productivity increase for manufacturing based on all workers and that

[5] *Joint Economic Committee*, Productivity, Prices, and Incomes (*Washington:* 1957), *p.* 27.

[6] Productivity, Prices, and Incomes, *p.* 148, *table* 54.

[7] *"Nonproduction Workers in Factories,* 1919-56," Monthly Labor Review, *LXXX (April,* 1957), *p.* 435.

[8] *"Nonproduction Workers in Factories," p.* 435.

[9] *Theodore N. Beckman, "Value Added by Distribution,"* Proceedings of the Twenty-Eighth Boston Conference on Distribution (*Boston: Retail Trade Board, Boston Chamber of Commerce,* 1956).

based on production workers alone. The reason lies in the increasing proportion of manufacturing employees engaged in "nonproduction" jobs. Since 1947, this group has grown from 16.3 per cent of all manufacturing employment to 22.0 per cent in 1956.[10] The rate of growth among such workers has been *15 times as great* as that for production workers during the same period. The same tendency may be observed for the economy as a whole and for specific industries. As a result, the rate of gain in productivity based on production workers alone is substantially higher than that based on all workers. In other words, if labor input is restricted to that of so-called production workers, productivity gains are grossly exaggerated.

THE danger inherent in this is obvious. If, for example, a wage increase in 1956 were to be based on the index of output per production-worker man-hour, it would amount to 2.7 per cent. Such a wage raise would, however, be inflationary, because output per man-hour actually gained by only 1.4 per cent. Furthermore, it can be argued that the productivity gain relative to production workers' man-hours may have been caused by a greater contribution on the part of nonproduction workers. More effective planning and supervision, for example, might easily account for greater output on the part of nonsupervisory factory workers, and this becomes accentuated with progressively increased automation.

Because of their inherent upward bias, productivity statistics based on production workers' labor input should be interpreted with great care. Better yet, this arbitrary and misleading classification of workers should be discontinued or should be used as only one part of the labor factor, and similar data should be developed for the total labor input.

The 30-Hour Week

A topic of much discussion and controversy has been the prospect of reducing the standard workweek from its present level of 40 hours to 30 hours.[11] Statements of some labor leaders indicate that reduction of the workweek will soon become a major bargaining issue.[12] In all of this discussion, productivity measurement is a vital factor, because the proposal of a 30-hour week is implicitly based on an assumption that productivity gains have been sufficient to permit such a reduction of labor input without significant deterioration in the volume of output. In other words, it is implied that workers now can (or soon will be able to) produce as much in 30 hours as they have been producing in 40. This assumption should be examined carefully.

A reduction in the workweek from 40 to 30 hours represents a 25 per cent decline in labor input per worker. If each worker is to produce the same output as he does at present, this reduction would require a corresponding 33⅓ per cent increase in output per man-hour. Assuming, for the moment, that the same proportion of the population is employed in the economy, how many years would it take to achieve a one-third gain in productivity? The average annual increase for the economy as a whole since 1947 has been 3.2 per cent. Since this is a compound rate of increase (like a compound interest rate), about 10 years would be required to achieve the needed over-all gain. For all manufacturing industries, in which the average annual rate of increase has been about 3.0 per cent since 1947, between 10 and 11 years would be required. Interestingly enough, in the automobile industry, where most of the talk about a 30-hour week has been going on, about 11 years would be needed to obtain a one-third increase in labor productivity (based on the average annual rate of increase of 2.8 per cent for 1947 through 1956). All of these calculations assume that the average annual rate of gain for the postwar period can be maintained, which may or may not be true. As a matter of fact, except for 1955, the rate of productivity gain has declined since 1952. Hence, attainment of the 30-hour week may be receding even further into the future.

But this is still not the full story. All of the estimates in the preceding paragraph are based on an assumption that the ratio of persons employed to total population will remain constant. This factor is important because general living standards must be measured relative to total population rather than to the labor force alone. The output of those who work must also be used for the support of those who are not gainfully employed: children, housewives, the aged, the infirm, and so on. Recent population trends indicate that the proportion of total population in these categories will rise significantly in the future. Higher birth rates combined with longer life expectancy produce a greater segment of the population in the usually nonemployable group.

Now, suppose that the percentage of the population in the *employed* labor force declines from its present level of about 40 per cent to about 35 per cent. If, at the same time, the workweek were reduced to 30 hours, then in effect seven men would have to produce the same output in 30 hours each as eight men are currently producing in 40 hours each. Call this output, for the sake of simplicity, "100." Then the 100 units of output now being produced in 320 man-hours (8 men times 40) must be produced in 210 man-hours (7 men times 30). This implies a necessary increase in output per man-hour of 52 per cent instead of 33⅓ per cent as previously computed. How long would it take to achieve an increase of this magnitude, assuming that postwar average annual increases can be maintained and the more recent trend reversed? For the economy as a whole, at 3.2 per cent annually, it would take about 13 years. For manufacturing as a whole, at 3.0 per cent annually, it would require over 15 years. For the automobile manufacturing industry, at 2.8 per cent annually, it would take between 15 and 16 years. In other words, soberly considered, the 30-hour week is not "just around the corner," but is a possibility by the early 1970's under the given assumptions.

"Automatic" Productivity Increases

A final misconception about productivity, and perhaps most dangerous of all, is the mistaken belief that productivity gains occur consistently and automatically. In the house organ mentioned before, the statement was made that the productivity of the economy is increasing at the rate of "3.3 per cent *every year*." Actually, the rate of increase cited is an *average* annual gain for a specified period. There is an important difference between such an average and the actual increase achieved in any one year.

The increases in output per man-hour attained in 1956 were well below the annual averages of recent periods. In 5 of the 27 year-to-year changes in productivity since 1929, *declines* rather than

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[10] *"Nonproduction Workers in Factories," p.* 436.

[11] *This is presumed to consist of a 5-day week of 6 hours per day as used in the tire industry, although it sometimes takes the form of a 4-day week in some of the discussions of the subject.*

[12] *See, for example, "Next Big Labor Issue: Shorter Work Week,"* Business Week *(April* 20, 1957), *pp.* 41-42.

increases took place. For all manufacturing, no less than 8 of the 27 years saw decreases in productivity, while in one year (1943) no appreciable change either way occurred. In automobile manufacturing, almost half of the years covered involved declines and the average was heavily weighted by the unusual increases in 1950 and 1955, both of them years of very high production.

It is believed that if productivity trends were analyzed in detail on an industry-by-industry basis far more variation would appear. Output and input trends for the entire private economy are greatly affected by *shifts* in the relative importance of different industries. Thus, if labor and capital are shifted from a relatively unproductive sector of the economy to a relatively productive one, an increase in over-all productivity would result. This could occur even if the productivity of each of the two economic sectors involved, considered separately, actually declined. The effect of such a shift can be illustrated by a simple example. Suppose that the entire economy consisted of only two industries, "Industry A" and "Industry B." Suppose, further, that the GNP per man-hour of the two industries in 1955 were as follows:

	GNP per Man-Hour	*Percentage of Total Economy*
Industry A	$1.250	70
Industry B	2.500	30
Weighted Average for Total Economy*	$1.625	100

**Computed by weighting output per man-hour in each industry by its relative importance. Thus, $1.250 times 70 per cent plus $2.500 times 30 per cent, divided by 100 per cent = $1.625.*

Now, in this situation, there would naturally be a flow of labor and capital resources from Industry A to Industry B, where, because of higher productivity, the rates of compensation would be higher. In the American economy, just such a flow has been taking place from agriculture to manufacturing.

TO CONTINUE the example, suppose that in 1956 the shift of labor and capital to Industry B has increased its relative importance in the economy to 60 per cent instead of 30 per cent, while the relative importance of Industry A has declined from 70 per cent to 40 per cent. At the same time, assume a decline of 5 per cent in the output per man-hour of each industry. Then, for 1956, we have the following situation:

	GNP per Man-Hour	*Percentage of Total Economy*
Industry A	$1.1875	40
Industry B	2.37.50	60
Weighted Average for Total Economy**	$1.9000	100

***Computed in the same way as shown above. $1.1875 times 40 per cent plus $2.3750 times 60 per cent, divided by 100 per cent = $1.9000.*

The productivity of the economy as a whole has increased from $1.625 to $1.900, or by 17 per cent, though productivity in each of the component industries has declined by 5 per cent. This further points up the danger, previously stressed, of confusing productivity trends for the economy as a whole with those of individual industries or firms.

Actually, this simple example exaggerates the importance of interindustry shifts on productivity trends for the entire economy. According to estimates by the Joint Economic Committee based on data prepared by John W. Kendrick, only about one-eighth of the long-run increase in output per man-hour can be attributed to shifts among industries.[13] IT IS hoped that this analysis will contribute to a clarification of the meaning of this important concept and to its wider use in business management. Productivity concepts and measures, intelligently applied, are valuable tools for the analysis of many business problems only insofar as they are sound and meaningful. It is further hoped that the article will throw more light and less heat on an admittedly controversial subject by a more realistic appraisal of accomplishments in productivity. ■

[13] Productivity, Prices, and Incomes, *p.* 19.

My Management Philosophy

by Glenn Gardiner

Editor, MANAGEMENT INFORMATION
Ridgewood, N. J.

IT IS MY philosophy that management has a three-fold obligation. In essence, management holds in trust, as it were, the interests of three different groups.

First, management has an obligation to investors—the risk takers who have put their funds into the enterprise. This is a broad responsibility because it involves the interests of many widely scattered individuals. The small, as well as the large stockholder, depends upon the integrity, capability and efficiency of management.

Secondly, management has an obligation to employees—to provide good working conditions, fair and equitable treatment, and the greatest possible security of employment.

Thirdly, management exercises a stewardship in the interests of the public. Though only a few members of the public may own specific shares in a particular company, the manner in which a corporation conducts itself as an entity may be good or bad for our society.

If an enterprise is to continue in existence, if it is to maintain its function of service to customers, employees and stockholders, it must, first of all, operate profitably. To accomplish this, managers in industry must hold the line against the doctrine of "something for nothing."

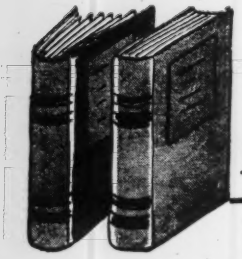
The premise on which the Society for Advancement of Management is based is that high productivity produces more things for more people. The objective is *not* to develop higher efficiency in order that unreasonable profits should accrue to a certain few. Rather, ascending productivity in America has enabled us to enjoy standards of living never dreamed of a few years ago, and still incomprehensible to the people of most of the rest of the world.

People in management are in strategic positions to insure social solvency through productivity.

People in management are in a position to maximize the effectiveness of an industrial enterprise in terms of human values, for industry is actually our greatest social institution. Its employees spend most of their waking hours on the job. It is here that they live a large part of their lives. The conditions of employment determine whether living on the job is fruitful, satisfying and pleasant. Working on the job with other people is, in a sense, a social function. Many employee friendships are made on the job. Here he should be recognized for his full worth as a human being.

It is on the job that the individual may have his greatest opportunities for self-expression, for exercising his creative instincts. Man does not work for bread alone, but also for the many collateral satisfactions that go along with useful work.

Efficient management is not an end in itself. Rather, it is the means to the more important end—the operation of an enterprise in such a manner as to fulfill its obligation to the owners, the employees and the public.



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B-90 INTRODUCTORY GRAPHICS by J. Norman Arnold and Others. 552 pp. McGraw-Hill. 1958. $7.75.
A basic book on the methods and principles of graphic presentation and the application of these techniques to scientific, engineering and business problems.

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The first full review of the requirements for effective professional training in public administration. Gives particular attention to the administrative policy-making level of government and analyzes the scope and methods of academic training which are called for to prepare people for this important role in our society.

PERSONAL DEVELOPMENT

C-25 DEVELOPING EXECUTIVE CAPACITY by Edwin L. Cady. 195 pp. Prentice-Hall. 1958. $4.95.
A handbook of self-development for executives at all levels. Contains many nuggets of good advice based on extensive experience, but unfortunately, these nuggets are so surrounded by a special vocabulary and a general patronizing sort of tone, that it is hard work to get at them.

C-26 THE ROAD TO EMOTIONAL MATURITY by David Abrahamsen, M.D., 400 pp. Prentice-Hall. 1958. $4.95.
An enlightening guide to self-understanding written by a distinguished psychiatrist. Explains in understandable language what psychiatry has discovered about what makes people tick and how, by being aware of our own psychological make-up, we can convert subconscious drives from sources of tension and unhappiness to constructive support of a mature and successful daily life. Unlike many popular psychology books, this one does not talk down to the reader, nor does it try to treat a complicated subject in oversimplified slogans.

C-27 INVESTING FOR RETIREMENT by J. K. Lasser Tax Institute and Sam Shulsky. 128 pp. Business Reports. 1958. $3.00.
A rounded guide to specific ways in which a man on a salary can invest small amounts regularly to provide a substantial supplement to his income when retirement comes. Gives different kinds of plans for different situations and covers the whole range of investment possibilities from common stocks to mutual funds to real estate.

THE WIDER VIEW

D-39 EISENHOWER: CAPTIVE HERO by Marquis Childs. Harcourt. 1958. $4.75.
A penetrating review of the successes and failures of President Eisenhower as chief executive of the nation. Written by a leading newspaper columnist, the book attempts the difficult and controversial task of evaluating a practicing President in the manner usually reserved for future historians. The result is highly critical of the President's concept and execution of his role as chief executive. Whether or not readers agree with this conclusion, they will find the analysis on which it is based interesting and revealing.

D-40 HUMAN RESOURCES by Eli Ginzburg. 183 pp. Simon and Schuster. 1958. $3.75.
A provocative review of the importance of effective use of manpower resources in the United States and the ways in which we are currently missusing this vital element of our strength. Written by a distinguished professor of business administration who has specialized in manpower problems.

D-41 SOVIET STRATEGY IN THE NUCLEAR AGE by Raymond L. Garthoff. 299 pp. Praeger. 1958. $4.50.
Called by the Chicago Tribune "probably the most important work of modern times for those who would follow the military axiom of know your enemy," this book gives a detailed report on present and future Soviet weapons and strategy. The resulting picture is like something out of a science fiction magazine, except for the fact that it is based on sober facts.

D-42 THE EUROPEAN COMMON MARKET by Elizabeth Marting, editor. 256 pp. AMA 1958. $6.00. Subtitled, "A New Frontier for American Business," this is the first detailed report on the recent major change in the economy of Western Europe which has been brought about by the establishment of the common market. The book contains brief contributions by many businessmen who have been active in the project.

D-43 THE HUMAN CONDITION by Hannah Arendt. 338 pp. Chicago. 1958. $4.75.
A profound philosophical analysis of the state of modern humanity. Shows how we are in danger of losing some of the higher values of our civilized tradition as we become more and more preoccupied with material objectives. The book covers current developments in literature, philosophy and politics and other fundamental fields from this point.

D-44 THE INSOLENT CHARIOTS by John Keats. Lippincott. 1958. $3.95.
With the new models just issuing forth from Detroit and nearby points, this witty review of what the modern American car has come to is particularly timely. The author has great fun taking swings in all directions at the appearance, safety, and economy factors which he feels the auto industry has all but abandoned and at the sales and financing system which keeps millions of people buying these unlikely monsters every year.

D-45 THE U. S. AIR FORCE REPORT ON THE BALLISTIC MISSLE by Lt. Col. Kenneth F. Gantz. Doubleday. 338 pp. 1958. $4.00.
A highly interesting professional report by officers of the Air University on the techniques and implications for strategy of the ultimate in offensive weapons represented by the nuclear ballistic missile. Explains the massive efforts which have gone into getting as far as we have into the space age and the tremendous problems which still lie ahead.

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S. A. M *Newsletter*

Current news of interest to all S.A.M Members, specifically for the 900 Chapter and National Officers of the Society.

HAROLD R. BIXLER
Executive Vice President

GERMAN BUSINESS GROUP PAYS S.A.M A VISIT — Typical of various study groups of business and industrial representatives from other countries to visit S.A.M National Headquarters is a recent one from Germany. Their response after returning home included: "At that time you very kindly gave us some very interesting information on the work of the Society for the Advancement of Management. Now that we are concluding our study we find that this information is proving to be very useful indeed.

"For this reason the President of our Association, **Herr Wild,** as well as the members of the group, have asked me to convey to you our particular gratitude for your kind assistance. I would like to add that, should you or members of the Society visit Germany at any time, we shall be glad to welcome you here at our National Headquarters in Bonn and to supply you with any information or assistance that we can give. We shall also be glad to put you in contact with any of our regional groups or other associations in Germany that you may be interested in". Address **Dr. H. Wellmanns,** Executive Director, National Association of German Craftsmen, Bonn, Germany.

SELECTED REFERENCES: COLLECTIVE BARGAINING — Problems and Prospects may be obtained from Industrial Relations Section, Princeton University, Princeton, N. J. Included Analytical Approaches, Relationships of Collective Bargaining, and Pertinent References in other phases of this important field of management. . . . DISTRIBUTION DATA GUIDE, Semiannual Subject Index, January through June 1958, available from Office of Distribution, Business and Defense Services Administration, U.S. Department of Commerce. This is a selected current listing and annotation of government and non-government materials for use by those interested in the marketing and distribution of our Nation's goods and services. . . . THE TAX DEPRECIATION PROBLEM — published by the Machinery and Allied Products Institute, 1200 18th Street, N. W., Washington 6, D. C. This new economic research offers important results with the conviction that the subject deserves careful study, not only by those responsible for business decisions, but by all concerned with the formulation of public policy. . . . S.A.M cooperates with the President and Governors Committees for EMPLOYMENT OF THE PHYSICALLY HANDICAPPED. In this connection managers are referred to summary report by the DuPont Company about levels of job performance, safety, and attendance of more than 1,000 physically handicapped individuals among their 90,000 employees. Writer, James H. Sears, management du Pont's nontechnical placement section, E. I. du Pont de Nemours & Co., Wilmington 98, Delaware. PREPARING A SPEECH—The attention of all speechmakers is called to the July Monthly Letter of The Royal Bank of Canada, which is loaded with most useful information about how to prepare and deliver a speech. Classified under the following headings: Private Practice, Obligation To Audience, Have A Purpose, Body of the Speech, Conclusion, Elements, Being Persuasive, Building the Material, Writing the Speech. It is well worth writing for from the Royal Bank of Canada, Montreal.

CIVIC AFFAIRS — AID TO SCHOOLS — S.A.M Chapters concerned with Aid to Schools as part of the S.A.M National Civic Affairs Program will be interested in the recent announcements by the College-Industry Committee on Material Handling Education. This reports that for several years the U. S. Department of Health, Education, and Welfare has administered a program whereby they donate federal surplus property to schools. A wide variety of industrial trucks, and other material handling equipment is currently available through this program.

This entire program is operated through state agencies which distribute the equipment, and determine the eligibility of schools to receive these donations. A list of these state agencies may be obtained by writing to Surplus Property Utilization Division, Department of Health, Education, and Welfare, Washington, D. C. A booklet is also available from this Department which outlines the entire program in detail. The schools eligible for such donations must be tax supported, or be nonprofit and tax-exempt under Section 501 of the 1954 Internal Revenue Code.

NEW RENTAL PLAN FOR S.A.M FILMS—Research and Development Division announces new rental plan for S.A.M famous Performance Rating Films, now in use throughout the world. The films are on eight reels (16mm., black-and-white, total footage 2800) showing 24 typical manufacturing and clerical operations. The rating and time factors associated with these films are based on the pooled judgments of 1200 experienced time-study engineers throughout the United States and Canada. In this group are represented 181 large and small companies reflecting time-study systems and practices of more than 30 industry classifications. They are based upon research covering an eleven-year span, conducted jointly by S.A.M and New York University. Rental charges are $30.00 for first two days of rental, $8.00 per day for each working day thereafter. (Minimum rental period two days). Rental must be for complete set of 8 reels. The set cannot be broken up in the rental arrangement. A set of films can be purchased for $495.00 for business organizations, $375.00 for colleges, with any paid rental charges deducted from the price of the set. An initial quantity of Rating forms together with Manuals is included with the purchase price. Dr. Vincent A. Flynn, National Research Director, will be glad to give you further details.

CIVIC AFFAIRS PROGRAM WINS MORE PRAISE — Thanks to the American Hospital Association for this recent communication: "In a recent issue of **Advanced Management,** we noted with interest a series of brief reports concerning contributions made and assistance given to several hospitals by chapters of the Society for the Advancement of Management. The Committee on Methods Improvement of the American Hospital Association has, during the past few years, been actively engaged in a program to encourage hospitals to establish methods improvement programs. We believe that the utilization by hospital administration of sound management techniques developed in the industrial engineering field can materially improve the services offered to the end that better patient care can be realized at a cost which is consistent with the community's ability to support such services. We recognize the value of the work carried on by such organizations as the Society for the Advancement of Management, which contributes to the total development of the nation's hospitals. We sincerely hope that you will continue your efforts."

MANAGEMENT POSITIONS AVAILABLE — The following organizations have invited S.A.M members to consider various openings for which they are now receiving applications: INTERNATIONAL COOPERATION ADMINISTRATION—overseas assignments in the Far East, Southeast Asia, Africa, Middle and Near East for a minimum term of two years, salaries up to $15,000. Many posts carry additional cost-of-living adjustment, wage differentials, educational allowances, housing and utilities allowance. Positions: Industrial Development Advisor and Industry Officer. Apply to Robert W. Hill, **Acting Chief, Employment Division, I.C.A., Box 202, Washington 25, D. C. Other foreign positions are available through the UNITED NATIONS in a wide range of countries and types of activities. Apply to Technical Assistance Recruitment Services, United Nations, New York 17, N. Y. U. S. CIVIL SERVICE COMMISSION—positions open for Organization and Methods Examiner, Personnel Officer, Position Classifier, Salary and Wage Specialist, Employee Relations Officer, Management Analyst, and Budget Examiner. Apply to U. S. Civil Service Commission, Bureau of Departmental Operations, Washington 25, D. C., or your regional Civil Service Commission Office.**

CHAPTER CHIPS—New Chapter publications well worth writing for include the following: CHICAGO—Calender of Events and Membership Roster. Covers sections on President's Message, Programs of their General Management, Industrial Engineering, Personnel Management, Operations Research, and Production Control Divisions, as well as Student Chapter Operations and Member List. Write **C. R. Waindle** for copies. MONTREAL—a splendid historical booklet called "The Story of the MONTREAL Chapter—1942-1948". A new kind of formal publication. Write **J. M. Benson.** DALLAS—compact booklet on Program and Roster highlighting program of a typical working chapter. Write **Charles R. Yancy.** MILWAUKEE—new Newsletter, easy in style, helpful in content. Write **Percy Ekholm.** HAWAII—program for the Chapter's 7th Annual Meeting, headlined by internationally known management leaders, designed for business executives and industrial engineers throughout the islands. Write **Jack M. Fox,** Public Relations Director.

MEETINGS OF IMPORTANCE — Council For International Progress In Management's **Second Inter-American Management Conference at Greenbrier Hotel, White Sulphur Springs, West Virginia, November 16-21. Co-sponsored by the Pan American Council (PACCIOS), of the International Scientific Organization (CIOS), on the theme "The Challenge of Growth—Opportunities for Managers In Expanding Economies". Full program available. Write** Col. Philip Garey, **C.I.P.M., 350 Madison Avenue, New York 17, N. Y.**

TYPICAL S.A.M CHAPTER ACTIVITIES—DECEMBER 1958

CHAPTER	SUBJECT	SPEAKER	PLACE	DATE
Alabama	"Development of ORRadio Company"	**J. H. Orr,** President, ORRadio Corporation, Opelika, Alabama	Gula's Restaurant	9
Boston	"Recent Productivity Trends and Their Implications"	**Leon Greenberg,** Chief, Division of Productivity and Technological Development, U. S. Dept. of Labor	M.I.T. Faculty Club	4
Bridgeport	"The Eyes and Ears of Management"	**Dr. R. J. Jeffries,** President, Data Controls Corp.	Algonquin Hotel	2
Central Pa.	"Industrial Safety"	**Norman Began,** Kendall Refining Company	Penn Belle Hotel, Bellefonte, Pa.	11
Chattanooga	"Kingsboro Mills Experience With the Ramac"	**Carl W. Flemister,** Controller, Kingsboro Mills **Arthur G. Vieth,** Professor, Chattanooga University		18
Cleveland	"Industrial Russia—What Have We to Learn and Fear"	**Erwin Such,** Editor-in-Chief, **Steel** Magazine, Penton Publications, Cleveland, Ohio		8
Detroit	"Utilizing Methods Engineering in Cost Reduction"	**R. D. McLandress,** General Motors Corporation	Engineering Society	16
Greensboro Area	Workshop on "How to Listen and How to Talk"	Western Electric's Training Staff	Starmount Country Club	9
	"Communications"	**Daniel Rochford,** Advisor on Management-Employee Communications, Standard Oil of New Jersey, New York, N. Y.	Starmount Country Club	9
Greenville	"Improving Management Development Through Standards of Performance"	**John B. Joynt,** Vice President, New York Central Railroad, New York	Elks Club	15
Hartford	Top Management Night—"Functions of the Executive"	**Al N. Seares**		11
Knoxville	"Peacetime Potential of Atomic Energy"	**S. R. Sapirie,** Manager, Oak Ridge Operations, Atomic Energy Commission, Oak Ridge, Tenn.	Deane Hill Country Club	9
	Plant Visitation — Aluminum Company of America, Alcoa, Tennessee			16
Lancaster	Ladies Night			9
Lehigh Valley	"Preparing The Climate for Cost Reduction"	**Richard Diller,** Assoc. Prof. of Psychology, Penna. State University, State College, Pa.	Walp's Restaurant, Allentown, Pa.	2
Long Island	Seminar—"Human Relations"			10
Los Angeles	Ladies Night—"Management Responsibilities to the Community"	**Dr. K. Carlson**		18
Madison	"You Can Understand Operations Research"	**William Golowski,** Operations Research Analyst, Oscar Mayer & Company	Cuba Club	3
Montreal	Film Night on Operations Research		LaSalle Canadien, Windsor Station	10
Nashville	Joint Meeting with A.I.I.E. and N.M.A.A.—"Management Planning"	**B. S. Graham,** Director, Methods Research, Standard Register Co., Dayton, Ohio	Highland Crest Restaurant	8
New Haven	Ladies Night—Christmas Program Semi-Annual President's Report		DeNicola's Restaurant	18
No. Alabama	"Improving Managerial Performance"	**Lester F. Zerfoss,** Staff Advisor for Personnel Development and Training, American Enka Corp.	Hotel Russel Erskine	10
N. New Jersey	"Production Planning and Control"		Hotel Suburban, East Orange, N. J.	11
Orange Coast	"Public Relations"	**J. G. McGarrigle**	Palms	11
Providence	"The Profitability Index — A Major Tool in the Supervisor's Cost Kit"	**Raymond I. Reul,** Food Machinery and Chemical Corp.	President's Room, Brown Refrectory	4
Raritan Valley	Plant Visitation and Luncheon Meeting	**James Stamp,** Plant Manager, Johnson & Johnson, North Brunswick, N. J.	Johnson & Johnson	10
Reading	Ladies Night—"Let Talk About Marriage"	**Dr. Dorothea Kleppinger**	Reading Country Club	8
St. Louis	Christmas Social Night			16
Twin City	"How to Read and Interpret Financial Statements, Balance Sheet, Income Statement, etc."	Professor from the University of Minnesota	Coffman Memorial Union, University of Minnesota	11
W. No. Car.	"Trends in Collective Bargaining"	**Howard S. Kaltenborn,** Vice President, Industrial Relations Counselors Services, Inc., N. Y.	Battery Park Hotel, Asheville, N. C.	17
Wilmington	Ladies Night—"Simplifying Housework"	**Dr. Lillian Gilbreth**	Lord De La Warr Hotel	9

University Division Honors Accomplishment

NEW CHAPTERS were established in 27 educational institutions in the United States, Canada and Puerto Rico during the 1957-1958 academic year while membership in the 137 University Chapters passed the 10,000 mark.

This outstanding achievement was the result of the efforts of many individuals and Senior Chapters. The expansion reveals what can be done when men of ability, under effective leadership and with a worthwhile goal, get together to do a job.

Because of this cooperation, for example, three chapters were inaugurated with over 100 charter members each—*University of Maryland* with 168, *Long Beach State College* with 120, and the *University of Arkansas* with 116. *The Western Carolina College Chapter* was organized in a period of two weeks with the help of the leaders of the *Western North Carolina Chapter*. These were new records.

In the development of the *University of Arkansas* and the *University of Omaha Chapters*, members of the *Kansas City Chapter* travelled hundreds of miles by air and by rail to participate in the charter presentation ceremonies. The Chapter received two citations as did the *Montreal Chapter* which also promoted two University Chapters during the year—*McGill University* and *Loyola College*.

In recognition of their outstanding contribution to the advancement of management education, these Senior Chapters were awarded the UNIVERSITY CHAPTER PROMOTION AWARD by Professor Harold Fischer, Vice President, University Chapter Division, at the Awards Banquet of the Fall Management Conference, Hotel Statler, New York City, October 30, 1958: Bergen County — Fairleigh Dickinson University; Cincinnati — University of Kentucky; Milwaukee — University of Wisconsin, Milwaukee, Orange Coast — Long Beach State College; Philadelphia — Temple University, Evening Division; Pittsburgh — Allegheny College; Puerto Rico — Santa Maria Catholic University; Santa Clara Valley — San Jose State College; Washington — University of Maryland; and Wilmington-University of Delaware.

Additional chapters also were organized during the year and they, too, have laid the foundations for a successful educational program: Arizona State College; Gonzaga University; C. W. Post College of Long Island University; New York University, School of Commerce, Accounts and Finance; Oklahoma State University; University of Arizona; University of British Columbia; University of Georgia; University of North Dakota; University of Tulsa; and the University of Vermont.

ABOVE: **Long Beach State College Charter Presentation.** Left to right: **Joseph Rodriguez**, President, Long Beach State College Chapter; and **Harold R. Bixler**, Executive Vice President, Society for Advancement of Management.

ABOVE: **Western Carolina College Charter Presentation Participants:** Seated left to right: **Ted Ford**, President, Western North Carolina Chapter; **Brainard Rorison**, Past President, Western North Carolina Chapter; and **Douglas E. Hunt**, student officer, Western Carolina College Chapter. Standing left to right: **Eugene J. Benge**, National Director, Western North Carolina Chapter; **Professor C. F. Wayte**, faculty advisor, Western Carolina College Chapter; **Leon E. Savage**, Student Chapter Coordinator, Western North Carolina Chapter; **W. E. Goforth** and **Charles M. Juliano**, student officers, Western Carolina College Chapter.

ABOVE: **University of Omaha Charter Presentation:** Left to right: **Dr. Milo Bail**, President, University of Omaha; **Howard L. Miller**, Student Coordinator, Kansas City Chapter; **Jack Williams**, President, University of Omaha Chapter; and **Professor Jack Hill**, Faculty Advisor, University of Omaha Chapter.

ABOVE: **University of Arkansas Charter Presentation Banquet:** Seated left to right: **Professor Vincent Cangelosi** and **Professor Rhea H. West, Jr.**, faculty advisors, University of Arkansas Chapter; **Howard Miller**, Student Coordinator, Kansas City Chapter. Standing left to right: **Dr. Robert D. Hay**, Chairman, Department of Management, University of Arkansas; **Charles Roth**, President, University of Arkansas Chapter; and **E. M. Lieberman**, President, Kansas City Chapter.

ABOVE: **University of Maryland Charter Presentation.** Left to right: **Ken Thorpe**, vice-president; **Dr. Stephen J. Mueller**, faculty advisor, University of Maryland Chapter; **Professor Harold Fischer**, Vice President, University Chapter Division; **Bob Stofko**, Program Director; **Bob Urquhart**, President; and **Barbara Bechtoldt**, Secretary-Treasurer, University of Maryland Chapter.

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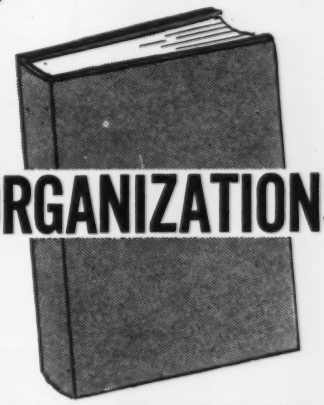

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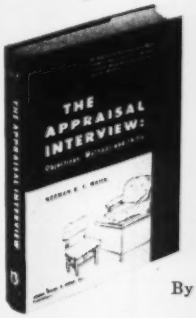

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John M. Barnes Appointed S.A.M National Vice President of Public Relations

JOHN M. BARNES, Manager of Industrial and Community Relations for the Carolina Division of The Champion Paper and Fibre Company, has been named the first National Vice President for Public Relations of the Society for Advancement of Management.

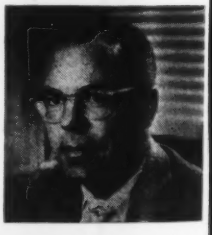
Mr. Barnes' appointment was announced by S.A.M National President, Phil Carroll, at the Society's headquarters, in New York. The office of Public Relations Vice President is a new S.A.M title, and Mr. Barnes is the first to assume it.

The Society's first National Vice President of Public Relations will assist the National S.A.M and the individual chapters in improving public relations for the association. He will also act as a clearing point for subject articles submitted for publication, be available for speaking assignments as requested by individual S.A.M chapters, and participate as a functional vice president in the National organization.

Mr. Barnes is a past president of the Western North Carolina Chapter of S.A.M, and served last year as assistant vice president of the Southeastern region of the Society. He joined the Carolina Division of The Champion Paper and Fibre Company in 1934 as a laboratory chemist. Subsequently he became sulphate mill chemist, senior chemist, assistant supervisor of safety, training supervisor and asistant manager of industrial relations. In August 1954 he was named to his present position as Manager of Industrial and Community Relations.

A graduate of North Carolina State College, with a degree in Chemical Engineering, Mr. Barnes served in the U. S. Air Force during World War II and in the Korean conflict.

Meet Your 1958-59 National Officers



V — HUGO W. DRUEHL

MR. DRUEHL is President of the Arrowhead and Puritas Waters, Inc., of Los Angeles, a position he has held since 1951.

Upon graduation from college—with an AB degree from Stanford University (1932) and an MBA Degree With Distinction from Harvard University in 1934—Mr. Druehl joined the Banks For Cooperatives in Washington, D. C., as Senior Administrative Officer, where he remained until 1941. From 1942-46 he served with the U. S. Army Quartermaster Corps as a Lieutenant Colonel. In 1946 Mr. Druehl joined the Pacific Public Service Company of San Francisco as Manager of Organization Planning and Personnel; in 1951 he was made a Member of the Board of Directors.

Mr. Druehl received the Legion of Merit in 1945. He is a Director of the Merchants & Manufacturers Association of Los Angeles, National Secretary of the S.A.M and a Member of the Los Angeles S.A.M Chapter.

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Purposes Of The S.A.M

THE PURPOSES of the Society for Advancement of Management, as set forth in its charter, are: "Through research, discussion, publication, and other appropriate means, to conduct and promote scientific study of the principles governing organized effort in industrial and economic life, including both labor and management, and to impart to the public information concerning said principles and their various applications for the general betterment of society, particularly by, but not limited to, elimination of unnecessary effort and unduly burdensome toil."

It is apparent that the opportunity for personal growth and development is the prime reason which motivates both individual and company memberships. In fulfilling its basic purposes, therefore, it can be said that a fundamental objective of the S.A.M is to further self-improvement by providing guidance and encouragement to the individual member in his growth and development toward competency as a professional manager.

The opportunities which S.A.M affords to guide and assist the individual in self-development are:

1. Study of the established practices and concepts of management, and their effective usage.
2. Study of new developments in managerial processes and concepts, and their application.
3. Development of an understanding of the mechanical and psychological dimensions of administration.
4. Original research in managerial concepts and procedures.
5. Actual practice in administration through participation in Chapter and National management.
6. Exchange of information for the solution of management problems.
7. Personal acquaintanceship with individuals active in management at local and national levels. ■